THE Public Interest

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On Illegitimacy and Infant Mortality

Charles Murray • Nicholas Eberstadt

How Social Problems are Born	***Nathan Glazer***
Who are the Working Poor?	***Bradley Schiller***
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The Ideology of "Family Preservation"

Heather Mac Donald

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Why babies die in D.C.

NICHOLAS EBERSTADT

ACROSS THE country and around the world, Washington is notorious as the "murder capital of America"—the city with the highest homicide rate of any major U.S. urban center. Less publicized, but no less scandalous, is another D.C. distinction involving needless loss of life. The District of Columbia is also the "infant mortality capital of America"—the population center in which a baby is most likely to die during his or her first year of life.

Statistics from the Centers for Disease Control and Prevention (CDC) tell the story. In 1991—the most recent year for which such numbers have been published—the District's infant mortality rate stood at 21 per 1,000 live births. This was more than 2 1/3 times the national average, and over 75 percent higher than the infant mortality rate for the next worst federal area (the state of Delaware). Furthermore, whereas infant mortality in the rest of America has progressively and predictably declined over time, the death rate for babies born in the nation's capital was actually rising during the 1980s.

In 1989, for example, D.C.'s infant mortality rate was higher than it had been a decade earlier. Washington's infant mortality rate has subsequently declined; even so, provisional figures indicate a slightly higher level for the city in 1992 than in 1983.

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What is it that ails babies born in the District? Try as they may, concerned citizens are unlikely to get a straight answer from elected officials. Nor will they fare much better if they try to wade through the blizzard of medical papers that are produced each year on the infant mortality problem in America. In political circles, and even within the U.S. public health community, inquiries about the causes and correlates of this tragic D.C. syndrome are all too often deflected, or answered as if by rote.

The subtext to this unseemly reticence, apparently, is race. The District, of course, is the only contemporary U.S. state or would-be state with an African American majority. And everyone knows that African Americans today generally suffer poorer health than U.S. whites. That, it would seem, is that: syllogism completed; discussion closed. Given the hypersensitivity within intellectual circles about any matter that may bear upon our country's racial problems, one can perhaps see why it is that investigations of the infant mortality crisis in our nation's capital have not been pursued more vigorously.

Has it actually become necessary to argue that the health of our children should not be sacrificed to prevailing intellectual fashions and prejudices? Apparently so. For even a cursory examination of available data reveals three important points about infant mortality in Washington that have to date somehow eluded our view:

- First, far from being representative of the condition of black America as a whole, the infant mortality situation within the District's African American community is anomalous and distinct.
- Second, the traditional public health and public policy explanations for high levels of infant mortality are almost completely inadequate in explaining the District's strikingly poor performance.
- Third, the factors most strongly associated with the D.C. infant health problem—to wit, risks resulting from parental lifestyles and adult behavior patterns—increasingly threaten children of all races all over the country.

To appreciate just how anomalous the District of Columbia's infant mortality situation is, compare it with Detroit's. By any variety of measures, after all, blighted Detroit is a vastly poorer city than Washington. Detroit's child poverty rate, according to

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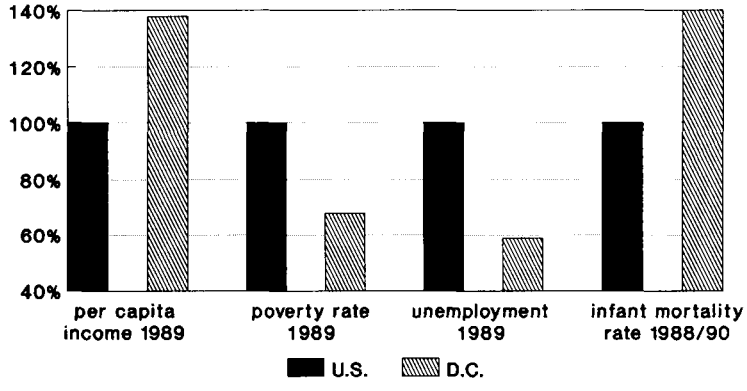
Figure 1
Health and Wealth in Black America: Black U.S. vs. Black D.C., c. 1989



Sources: Census Bureau, Bureau of Labor Statistics, Centers for Disease Control and Prevention

the 1990 census, was very nearly twice as high as Washington's. Per capita income was nearly 40 percent higher for African Americans in the nation's capital than for those in the Motor City. The unemployment rate around 1990 for black Detroiters was nearly 2 1/2 times higher than that for black Washingtonians. Despite all this, African American infant mortality rates were actually higher in Washington than in Detroit in 1990.

The contrast between wealth and infant health evidenced by Detroit and Washington is indicative of a broader paradox. While the black infant mortality rate for America has steadily fallen over the past generation, the black infant mortality rate in D.C. charted a much more troubling course. A generation ago the city's black infant mortality rate was distinctly lower than the nation's; by the 1980s it was distinctly higher. In recent years, in fact, the black infant mortality rate has been higher for the District than for any state in the nation. According to the CDC, for example, Washington's black infant mortality rate in the years 1988-90 was roughly 40 percent higher than the national level for black Americans. Yet the District of Columbia does not demarcate an area of extreme impoverishment within black America. Quite the contrary, as Figure 1 demonstrates.

Per capita income for black Washingtonians is much higher

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than the African American average nationwide; indeed, it is higher than the white per capita incomes of such states as Utah and Idaho. The poverty rate for black Washington, according to the U.S. Census Bureau, is much lower than for black America. So is the unemployment rate. As for education, the proportion of adults twenty-five or older with college degrees is distinctly higher for blacks in the District than for those in the country as a whole. All in all, to judge by the sorts of yardsticks conventionally used for such measurements, the District of Columbia would appear to be an unusually affluent region of black America—possibly even the most prosperous population center in which black Americans gather.

That a most prosperous area should also experience a population's very worst infant mortality rates, needless to say, flies in the face of what is conventionally taught and thought about public health in modern America. Yet the contradiction between public health "models" and D.C.'s realities extends through an array of subsidiary detail. For many of the non-economic indicators traditionally examined by public health specialists similarly fail to explain the District's terrible infant mortality problem.

Teen-age mothers, for example, are commonly taken to be an epicenter of "high risk" births—yet as of 1990 the fraction of babies born to teen mothers was considerably lower among blacks in Washington than for blacks nationwide (18 percent vs. 23 percent). By the same token, abortion procedures are sometimes said to be an instrument for dealing with "high risk" pregnancies; if so, women in Washington should be well protected against adverse outcomes, for the D.C. abortion ratio consistently runs at about twice the national average for the non-white population of the United States.

Finally, it is widely argued that access to medical care is often the decisive factor in health results for individual patients. The concept of "health care access" is more slippery than one might at first suppose; even so, there is no compelling evidence to suggest that the availability of health services is more limited for black Washingtonians than for other black Americans.

Unlike the rural counties of the South (whose black infant mortality rates, incidentally, compare quite favorably today with the District's), Washington is a medical mecca. Even after dis-

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counting the capital's many federal physicians and highly specialized internists, the level of public health service provision is very high. In 1990, according to the CDC, Washington's ratio to population of non-federal doctors engaged in primary care was nearly twice the national average. So was its ratio of community hospital beds to population.

Recent estimates by the U.S. Department of Health and Human Services (HHS), as well as D.C. government figures provided by District Delegate Eleanor Holmes Norton's office, suggest that the per capita expenditure on health services for the District's resident population was as much as 40 percent higher than the national average around 1991-92.

Estimates of D.C.'s population without health insurance, for their part, are far from precise. This is because Census Bureau figures on health insurance coverage are not broken down by race; moreover, the D.C. numbers are subject to a high margin of error (owing to the small size of the sample). The District's overall percentage of persons without health insurance in the early 1990s is estimated to have been one of the very highest in America. But U.S. blacks were far more likely to lack such coverage than U.S. whites in those years, and D.C.'s overall rate of coverage (through private health insurance and Medicaid combined) was about what one would expect to see in a random selection of whites and blacks from around the country corresponding to D.C.'s racial composition. It is possible, in other words, that the prevalence of health insurance coverage might be lower for black Washingtonians than for the rest of black America—but it is also possible that it may be higher.

In any case, several other states seem to have had levels of health insurance coverage as low as Washington's in the early 1990s. Yet their infant mortality rates for blacks and whites alike were far lower than the District's. In 1990, for example, the prevalence of health insurance coverage was about the same in Oklahoma as in the District—but Oklahoma's black infant mortality rate was only about half as high as the District's.

What then accounts for D.C.'s extraordinary infant death toll? The proximate answer is straightforward: It lies in the incidence of low birthweight babies born in the District. For entirely biological reasons, tiny babies are much less likely to survive infancy, no matter what their race. An American baby weighing

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less than 5 1/2 pounds at birth (the customary delineation of "low birthweight") is roughly twenty times as likely to die in its first year of life as one weighing more than 5 1/2 pounds. "Very low birthweight" babies (defined as less than 3 1/3 pounds at birth) are almost 100 times more likely to perish during infancy.

The District of Columbia is, far and away, the low birthweight capital of America. In 1988-90, according to the CDC, over 15 percent of the babies born to D.C. residents were low birthweight. This was over twice the national incidence, and nearly two-thirds above the level in the next highest federal jurisdiction (the state of Mississippi).

It is well known that black babies in America are much more likely to suffer a low birthweight than white ones (although the reasons for this disparity are not yet fully understood). D.C.'s peculiar disposition toward low birthweight, however, cannot be explained by race alone. For the incidence of low birthweight is higher for black Washingtonians than for blacks from any state in the nation. In the years 1988-90, for example, a black American baby was nearly a third more likely to be low birthweight if born in the District (17.7 percent vs. 13.3 percent in the rest of the United States). The risk of very low birthweight was over 50 percent higher in black Washington than for the rest of black America (4.5 vs. 2.9 percent). Moreover, the incidence of low birthweight for blacks has risen steadily—and steeply—in Washington over the past two decades; far more so than in the rest of black America (see Figure 2). Over the course of the 1980s, the proportion of black babies born at super-vulnerable, very low birthweights increased by more than half in Washington. Despite some evidence of a decline since the late 1980s, preliminary figures for 1992 indicate that the incidence of low birthweight for black babies in Washington is higher than it was twenty or even twenty-five years before.

Why is the District so fearfully efficient at turning out vulnerable and endangered babies? Less information is available than one might expect. Despite its infant mortality crisis, the D.C. municipal government has not yet gotten around to publishing vital statistics beyond the year 1986. (Some would say that this fact is itself revealing about the nature of that crisis.) Unpublished figures drawn from Washington's birth certificates, however, point to a strong association between low birthweight

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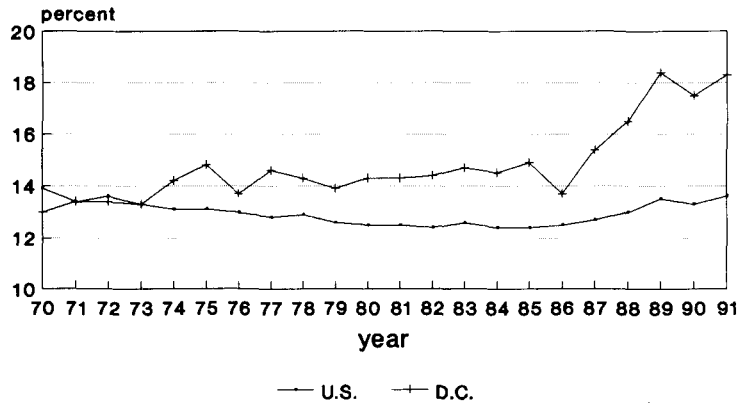
Figure 2
Black Low-Birthweight: U.S. vs. D.C., 1970-91



Source: Centers for Disease Control and Prevention

and inadequate prenatal medical care. According to unpublished numbers for 1989, for example, a D.C. baby receiving no prenatal medical care whatever was nearly three times as likely to end up low birthweight as one whose care began in the first three months of pregnancy.

This fateful disparity is not solely due to the salutary properties of modern medicine. Mothers who do not get medical care for their babies during pregnancy are likely to endanger their fetuses in other ways as well. According to unpublished birth data for Washington for 1991, for example, black mothers who obtained no prenatal care during pregnancy were over twice as likely to say they smoked during gestation, and over six times as likely to say they drank, as those whose prenatal care began in the first trimester. (Hard data are not available on illicit drug use, but it seems reasonable to guess this followed a similar pattern.)

The District may be one of black America's most prosperous areas, but it also has one of its worst rates of prenatal care utilization. In 1991, according to the CDC, about 62 percent of black America's mothers began their prenatal care during the first trimester of pregnancy; the corresponding figures for black mothers in the District were over 11 points lower. The propor-

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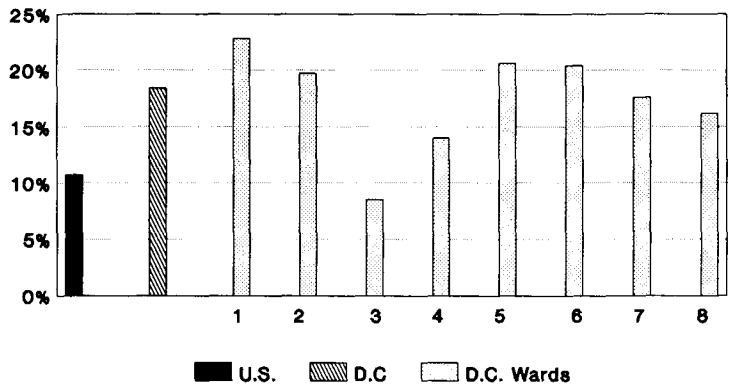
Figure 3--Percentage of Black Births with Inadequate Prenatal Care: U.S. vs. D.C., 1991



Sources: Centers for Disease Control and Prevention, D.C. Department of Human Services (unpublished data)

tion of black mothers obtaining prenatal care for their baby only in the third trimester, or not at all, is over two-thirds higher in the District than in America as a whole (18.4 vs. 10.7 percent).

By this particular measure of inadequacy, in fact, the prenatal care situation for black babies in Washington was worse for virtually every ward in the city than for black Americans in the country at large (see Figure 3). (Ward 3 is the exception to this generalization, and only a partial one at that: it accounted for less than 50 of the more than 9,000 black births to D.C. residents in 1991, and is thus basically irrelevant to overall patterns within the District.) One may note, incidentally, that these prenatal care patterns do not fit neatly within the conventional "socio-economic" schema: Ward 8, for example, perennially has the worst poverty rate in the city, yet it also has one of the city's better levels of prenatal care utilization.

If we could identify the parental characteristics associated with the District's very high incidence of low birthweight and its very poor utilization of prenatal medical care, we would be much closer to understanding the underlying causes of its infant mortality problem. By serendipity, a little-known compendium assembled by the D.C. Office of Planning permits us to take a

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step in this direction.† This compilation breaks down the District into about 170 neighborhoods ("census tracts"), providing economic, educational, and other information for these areas compiled by the 1990 census. It also offers data by census tract on items the census does not address. It tabulates, for example, the incidence of low birthweight, the illegitimacy ratio, the extent of participation in one means-tested public assistance program (food stamps), and the rate of violent crime by census tract. It also calculates the proportion of births within each census tract in 1989 and 1990 that received inadequate prenatal care according to the widely used "Showstack index," which plots the number of prenatal health care visits against the length of gestation.

For a number of somewhat technical (but common sense) reasons, these census-tract figures are not ideal for exploring the relationship between low birthweight or poor prenatal care and the factors that might be behind them. To begin with, they do not provide breakdowns by race, even though the racial composition of the city's census tracts varies dramatically—and though there is reason to expect differences in these variables according to race. Even if racial breakdowns were available, moreover, a comparison of differences at the census tract level raises the risk of what statisticians call "ecological bias": that is to say, the danger of confounding general attributes of a neighborhood with the specific and possibly different attributes of the households within these neighborhoods into which babies are actually being born.

From a statistical standpoint, such intrinsic limitations are obvious. But what is also obvious is that one must work with what one can get, and the fact of the matter is that the U.S. statistical system does not regularly collect the sorts of data which would permit a detailed examination of the socioeconomic, behavioral, and environmental correlates of infant mortality. Birth and death certificates in our country provide no information on a mother's income level, much less the crime level in her neighborhood. The Census Bureau and the CDC collect enormous amounts of socio-economic and health data, respectively, but they do not coordinate their research. And while the CDC does conduct a "National Mortality Followback Survey" that obtains

†D.C. Government Office of Planning, *District of Columbia Socio-Economic Indicators by Census Tract* (Washington, D.C.: Government of the District of Columbia, 1992)

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financial data about decedents, it is specifically designed to "follow back" on adult deaths alone. D.C.'s census tract compendium may offer nothing more than a first look at the correlates of infant mortality in the nation's capital. But it is an interesting look—and for good or ill, a better look is unlikely to be available anytime soon.

Results from an examination of this compendium may seem in some respects counterintuitive. Washington is a city of great contrasts in poverty and wealth: at the census tract level, the official poverty rate ranged from less than 3 percent to over 60 percent. Despite such wide variations, however, the poverty rate appears to share only a weak association with differences in the incidence of low birthweight throughout the city. Such factors as educational levels and median household income correspond more strongly with low birthweight; yet the impact of even these factors is reduced to utter insignificance if illegitimacy is added to the equation. No other factors are so closely associated with differences in low birthweight among D.C.'s neighborhoods as their ratios of out-of-wedlock births and single-parent families.

Why does illegitimacy relate so strongly to low birthweight in Washington? In large part, it would seem, because of behavioral differences between married and unmarried parents. The out-of-wedlock birth ratio, for example, is an extremely powerful predictor of inadequate prenatal care among the District's diverse census tracts (see Figure 4). This is is true even if one controls for such things as the poverty rate and the fraction of births to teen mothers. Within Washington around 1990, it would seem, a 10 point difference in a neighborhood's illegitimacy ratio was associated with about a 5 point difference in the share of mothers who did not obtain adequate prenatal care over the course of their pregnancy.

Relatively prosperous as it may be, black Washington has one of the very highest illegitimacy ratios of any black population in contemporary America. In 1991, according to the CDC, over 77 percent of the District's black infants were born to unmarried women. This is a ratio nearly 10 points higher than the black American average, and one exceeded in only three states (Illinois, Pennsylvania and Wisconsin). For a time in the early 1970s, the out-of-wedlock birth ratio for blacks in D.C. and the nation as a whole were roughly similar, but the subsequent pace of in-

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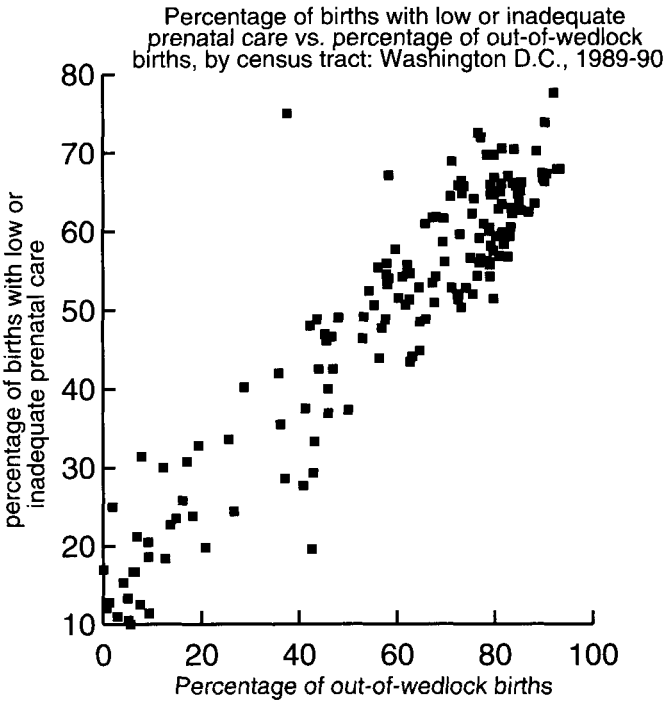
Figure 4

Illegitimacy and Poor Prenatal Care



Source: D. C. Government Office of Planning

crease in the District proved to be more rapid than in the rest of the country.

The relentless rise of births outside of marriage has completely transformed patterns of childbearing in the District over the past generation. Between 1966 and 1991, for example, the ratio of out-of-wedlock births jumped by over 43 points (see Figure 5). The chances that a baby would be born to an unmarried woman rose for mothers of virtually every age. So dramatically have the norms of family formation changed over these years that the illegitimacy ratios for black mothers in Washington are now about the same for women in their early thirties as they were for the city's teenagers in the mid-1960s.

This revolution in lifestyles constituted an explosion of risk for the city's black newborns. One cannot assume that the relationship between illegitimacy and the risk of low birthweight in

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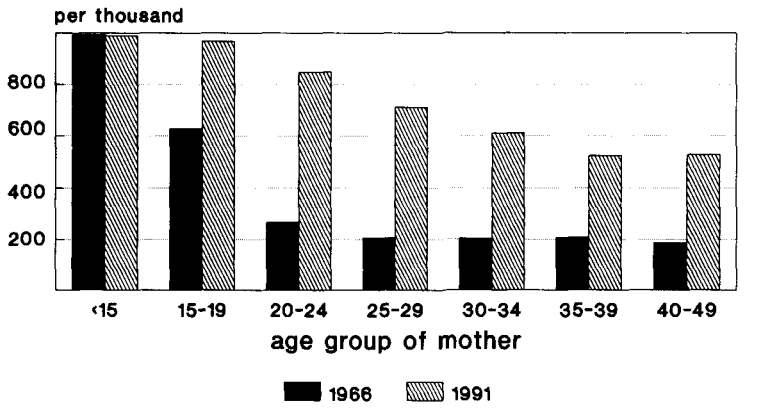
Figure 5
Age-Specific Illegitimacy Ratios for D.C.: 1966 vs. 1991



Source: Centers for Disease Control and Prevention

D.C. neighborhoods today has remained exact and steady over time. But if D.C.'s black illegitimacy ratio today were only as low as it had been during the Great Society era, our census tract correlations would lead us to expect an incidence of low birthweight nearly a third lower—and an infant mortality rate roughly one fourth lower—than the ones that characterize the District today.

There are other parental practices that appear to expose infants in the District to deadly risks as well. Within the boundaries of the city, differences in means-tested program participation rates track significantly with differences in rates of low birthweight. One may object that this is matching apples with oranges: After all, persons on such public benefit programs by definition are supposed to be poor. It is therefore somewhat surprising to find that after controlling for a neighborhood's poverty rate, higher levels of food stamp recipience still relate closely with higher rates of low birthweight.

Other things being equal, a supply of food stamps should reduce the health risks facing newborns by improving a needy family's nutritional opportunities. But, evidently, other things are not equal. For within Washington higher food stamp recipience closely corresponds with lower usage of prenatal medical ser-

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vices, even after such factors as poverty and educational levels are taken into account.

And then there is violent crime. This may seem an improbable indicator of health risk to the newborn, insofar as violent criminals are not generally capable of getting pregnant. Nevertheless, even after controlling for poverty and education, differences in reported rates of violent crime track with differences in rates of low birthweight in the city's diverse neighborhoods. The same is true for violent crime and poor prenatal care: that relationship holds up even when such things as median household income, poverty rates, educational levels, and teen motherhood are taken into account.

What explains the association between violent crime and low birthweight in Washington? At the moment, unfortunately, we can only guess. It may be that neighborhoods in which violent crime is out of control are also afflicted by a breakdown of norms that have traditionally served to protect the life chances of the newborn. Perhaps there are alternative or independent reasons for this striking relationship—such possibilities cannot be ruled out. At the very least, however, this statistical correspondence should prompt us to wonder whether Washington's concurrent status as "murder capital" and "infant mortality capital" might be the result of something other than pure coincidence.

To summarize: D.C.'s ongoing infant mortality crisis can indeed be understood—if we are willing to face what we see. Understanding the crisis, however, compels us to recognize new realities. Impersonal "social forces"—material deprivation, joblessness, economic insecurity—cannot explain why one of the very richest black populations in America suffers from black America's very worst infant mortality rates. This perverse situation can, however, be explained in terms of dysfunctional or even pathological behavior by parents and adults—including parents and adults who happen to be neither poor nor poorly educated. Illegitimacy, welfare dependence, and the environment of violent crime mark out a vector of deadly risks to infants in Washington, D.C.

But not in Washington, D.C. alone—and not just for black Americans. Over the past three decades, crime, illegitimacy and welfare dependence have all been moving from the periphery of

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the American scene to the center. In the process, these syndromes also appear in varying degrees to have been getting "whiter." Between 1960 and 1990 the annual number of white persons arrested in America more than tripled. From 1961 to 1991, the U.S. white illegitimacy ratio quintupled. By 1992, according to the Bureau of the Census, over a quarter of the country's white families with children under six years of age accepted some form of means-tested public assistance; in the early 1990s, every seventh white family with young children was taking cash aid from the state. By a strange twist of fate, this is almost exactly the same fraction that one would have found for non-white children in America some thirty years earlier.

And there is another thing. The incidence of very low birthweight babies in white America started rising in 1978; it has been going up ever since.

The District of Columbia may thus offer a glimpse of the sorts of infant health problems that the nation as a whole will know in the years to come. In the District, however, the future has already arrived. By all indications, we are woefully unprepared.

This article is an expanded version of a series that first appeared in the Washington Times.

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Does welfare bring more babies?

CHARLES MURRAY

LAST OCTOBER, I published a long piece on the op-ed page of the *Wall Street Journal* entitled "The Coming White Underclass." Its thesis was that white illegitimacy—22 percent of all live births as of the latest (1991) figures—is now moving into the same dangerous range that prompted the young Daniel Patrick Moynihan to write about the breakdown of the black family in 1964, and that the ensuing social deterioration in lower-class communities may be as devastating for whites in the 1990s as it was for blacks in the 1960s. The centerpiece of my solution was to abolish all federal support for single women with children.

The response was, for me, unique. It is not just that the piece aroused more intense reaction than anything I have written since *Losing Ground*, but that so many people agreed with me. This is not normal. After I publish something, my mail and phone calls are usually split about 50/50 pro and con. This time, almost everyone agreed that the problem of illegitimacy was just as bad as I described, and a surprising number of people, including some ordinarily prudent people in the public eye, endorsed my radical notion of ending welfare altogether.

All this leads me to believe that illegitimacy is about to re-

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place abortion as the next great national social debate. It should; not because the nation spends too much on welfare but because, as Moynihan said first and best, a community that allows a large number of young men to grow up without fathers "asks for and gets chaos." I believe it is not hyperbole but sober fact that the current levels of illegitimacy already threaten the institutions necessary to sustain a free society.

And so I want to end welfare. But this raises an obvious question: do we have any reason to believe that ending welfare will in fact cause a large-scale reduction in illegitimacy? Does welfare cause illegitimacy?

The answer has seemed self-evident to people ranging from the man in the street to Nobel laureate economists. The answer has not been nearly so clear, however, to social scientists who have studied the problem, nor has the search for an answer been conducted with stately scholarly detachment. It has instead been a hard-fought battle stretching back many years. Almost everyone has brought convictions about what the answer ought to be, for few issues have been so politically charged. But with a few lapses, the combatants have played by the technical rules in making their points, and, after all this time, we have learned at least a few things on which we can agree.

Two detailed reviews summarize the academic evidence. One, by Brown University economist Robert Moffitt, is called "Incentive Effects of the U.S. Welfare System: A Review," and it appeared in the *Journal of Economic Literature* in March 1992. I wrote the other one, called "Welfare and the Family: The U.S. Experience," as part of a special issue of the *Journal of Labor Economics* in January 1993, devoted to a set of articles comparing American and Canadian social policy.

What follows summarizes the major area of agreement that has developed over the last ten years—necessarily simplifying many findings and ignoring nuances. Then I turn to the major remaining area of disagreement. It brings to the attention of a general audience—for the first time, to my knowledge—a major technical error in the understanding of black illegitimacy that has large consequences for the subsequent debate. Bluntly: an important and commonly used argument of those who say that welfare does not cause illegitimacy is 180 degrees wrong.

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Where analysts agree

If the agreement could be summed up in a single sentence, it is that moderate differences in welfare benefits produce some differences in childbearing behavior, but only small ones. The main research strategy for reaching this conclusion has been to explore the effects of variations in AFDC (Aid to Families with Dependent Children) benefits across states. The hypothesis has been that since benefits vary widely, there should be differences in childbearing behavior as well, if indeed welfare is a culprit in producing illegitimacy.

Back in 1983, David Ellwood and Mary Jo Bane—both now senior officials in Clinton's Department of Health and Human Services—wrote the early version of a paper (still being circulated in typescript) during the debate over *Losing Ground* that everyone interpreted as proving that welfare doesn't cause increases in illegitimacy. That's not exactly what the analysis found—their approach to the issue was indirect and used a methodology so complex that evaluating the results is difficult even for specialists—but "Ellwood and Bane" is nevertheless still cited in the media as the definitive study that welfare does not affect illegitimacy.

Since then, several studies have explored the issue more directly, and the consensus has shifted to a tentative conclusion that welfare is implicated, but not dramatically. The results from the recent studies have many differences, and it would be unrealistic to try to draw a consensus from them about the magnitude of the effect of welfare. One study found a fairly large effect on childbearing behavior (for example, a predicted increase of 16 percent in the probability of teen births if welfare benefits rose 20 percent), but the effect was statistically insignificant. (This can happen when samples are small or the variation in results is very large.) Another found an effect that was in the same ballpark (a 6 percent increase in childbearing by unmarried women in response to a 10 percent increase in welfare benefits) and was also statistically significant. Other studies have found statistically significant effects without reporting the magnitude.

Until recently, studies of this issue have concluded that the effects of welfare are much easier to find among whites than among blacks. In two of the studies mentioned above, all of the

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apparent effect of differing welfare benefits on childbearing behavior was accounted for by the behavior of whites. An additional study that was limited to black teenagers found only a small, statistically insignificant effect.

But the situation is changing. A recent detailed study by Mark Fossett and Jill Kiecolt in the *Journal of Marriage and the Family* using 1980 census data found a substantial and consistent relationship between the size of public assistance payments and illegitimacy among black women ages 20–24, even after controlling for a wide variety of economic, social, and demographic factors. Why did this study find a relationship where others had not? Partly because the analysis was more tightly focused than the others, using metropolitan areas rather than states; partly because the study focused on a particular age group (women ages 20–24) instead of lumping all women together. Much more work remains to be done regarding black illegitimacy and welfare, but the best bet at this time is that the results for blacks and whites will converge. Using what the social scientists call "cross-sectional data"—comparing different places at the same historical moment—it seems likely that welfare will be found to cause some portion of illegitimacy, but not a lot.

The area of agreement, limited though it may sound, has important policy implications. Even taking the studies showing the largest statistically significant effect of welfare on childbearing, there is no reason to suppose that reducing welfare benefits by 10 percent will produce more than about a 6 percent drop in childbearing among single women. This is not enough to make much difference in anything. More generally, if you were to ask scholars of various political viewpoints in the welfare/illegitimacy debate about the prospective effects of other welfare proposals that have been in the news recently—stopping the increase in benefits that kicks in when a second child is born, toughening workfare requirements, linking welfare to school attendance, and so forth—almost all of us would be pessimistic. We have different reasons for thinking that such changes would be good or bad, but the available data do not give much cause to think that such small changes will produce more than small effects.

There is another intriguing implication of this research, however, that has gone unremarked. The same regression coefficients that show small effects from small changes imply that

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getting rid of welfare altogether would have large effects. If a 10 percent increase in welfare benefits elicits a linear 6 percent increase in extramarital childbearing (to take a middle-of-the-road finding), what would a 100 percent decrease produce? A 60 percent reduction in extramarital childbearing? The coefficients might not behave linearly in the real world, of course. The effects of reductions could diminish as the magnitude of the reduction in welfare approaches 100 percent, or they could as plausibly grow. The effects need not be symmetric for increases and decreases in welfare. None of the authors of the various studies has yet explored these tantalizing possibilities, but they obviously call for such exploration.

Where analysts disagree

The favored way of examining the effects of welfare, taking advantage of the natural variation in AFDC payments across states, has a number of defects.

One problem with drawing comparisons across states is that state-by-state differences in welfare benefits are not so great as they seem. When you are first told that Louisiana has an average monthly AFDC payment of $169 and California has a monthly payment of $640 (the 1990 figures), the difference looks huge. But some federal benefits (such as food stamps) are more generous in low AFDC states, and Medicaid is available everywhere. Adding in everything, the proportional differences in the welfare packages available in different states shrink. And when you then put those differences in terms of the local economy, the difference nearly disappears. When the General Accounting Office compared the value of welfare packages in thirteen locations across the country in the late 1970s, when state-by-state AFDC differences were near their peak, the agency found that the San Francisco package turned out to provide an income equivalent to 66 percent of the median household income in San Francisco, while the New Orleans package provided an income equivalent to 65 percent of the median household income in New Orleans. Should we be surprised to find that welfare differences between Louisiana and San Francisco do not produce much difference in out-of-wedlock childbearing?

Another problem is that a powerful factor masks the effects of welfare on blacks when scholars base the analysis on states.

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The black-white difference in illegitimacy goes back to the earliest post-Civil War data. No scholar has ever succeeded in explaining away this racial difference with any combination of economic, social, or educational control variables. The residual difference is astonishingly large. Based on the data from a large national database (the National Longitudinal Study of Youth), the probability that a baby will be born to a single woman is more than twice as high for blacks as whites after controlling for age, education, socioeconomic background, and poverty. For reasons that are still not understood, something in black culture tolerates or encourages birth out of wedlock at higher rates than apply to white culture in any given year, and this has been true before and after welfare was introduced. The problem is that "black culture" (a term I am using because no one knows how to describe it more specifically) is not spread evenly across the United States. The states in which blacks have the very lowest illegitimacy ratios are places like Idaho, Montana, North and South Dakota, Alaska, Hawaii, New Hampshire, and Maine, where AFDC payments are often well above the national average, but a very small black population lives in the midst of a dominating white culture (with its much lower illegitimacy ratios). Most of the states with the very lowest AFDC payments are in the Deep South, where blacks not only constitute a major portion of the population, but are densely concentrated in given areas—also, in other words, where whatever-it-is about black culture that produces high illegitimacy is likely to permeate the world in which black youngsters grow up. In statistical terms, this means that a great deal of noise is introduced when one analyzes the effect of varying AFDC payments. The same data that show no relationship between welfare and illegitimacy among blacks across states suddenly show such a relationship when one controls for the size and density of the black population.

The main problem with comparisons across states is that they ignore the overriding historical reality that welfare went up everywhere in the United States in a concentrated period of time, producing an overall national change that dwarfs the importance of between-state differences. Focusing on differences between states ignores the main effect.

Even when one takes a historical perspective, the story is a complex one. Here, pictorially, is the main battleground in the

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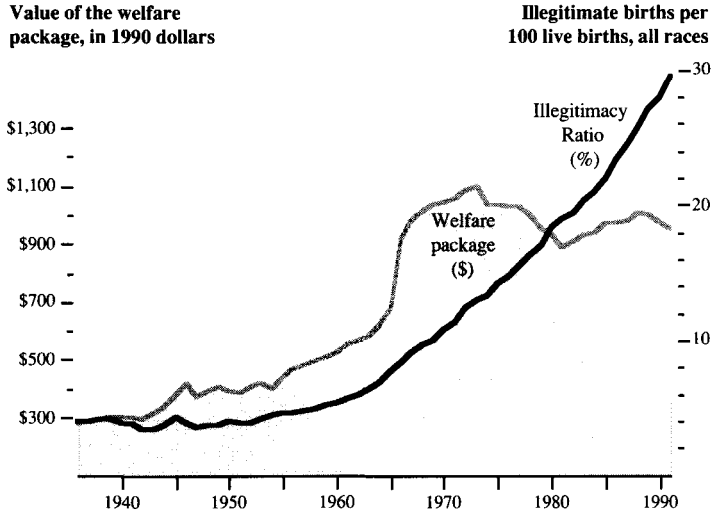

Source: Illegitimacy data since 1960: National Center for Health Statistics, "Advance Report of Final Natality Statistics," *Monthly Vital Statistics Report*, vol. 42, no. 3 (S) (Sept. 9, 1993), table 16, and comparable tables in earlier volumes. Data prior to 1960: National Center for Health Statistics, *Vital Statistics.* Computation of the welfare package uses budget data from U.S. Bureau of the Census, *Statistical Abstract of the United States,* on AFDC, food stamps, public housing, and Medicaid. The method of computation is described in Charles Murray, "Welfare and the Family: The American Experience," *Journal of Labor Economics*, vol. 11, no. 1, pt. 2 (Jan. 1993).

debate over whether welfare causes illegitimacy.

There are many things to argue about in this figure. Probably the one you have heard most often involves the size of the welfare package. I have shown it as a combination of AFDC, food stamps, Medicaid, and public housing subsidies, using conservative methods for valuing these components. Those who argue for an expansion of welfare benefits would have shown a much different figure, showing just the AFDC benefit, which in real terms has retreated to 1950s levels.

But to focus on just the AFDC cash payment is an example of the bogus part of the welfare/illegitimacy debate that most parties to the debate are now beyond, at least when they talk among themselves. Statements such as "welfare benefits are now back to 1950s levels" often show up in congressional testimony and the network news shows, but no serious student will deny that food stamps, Medicaid, and housing benefits are part of the

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relevant package available to a young woman with a baby and that those have expanded dramatically, along with a hodge podge of other benefits both federal (the Special Supplemental Food Program for Women, Infants, and Children for example) and state or municipal (heating fuel subsidies, eviction protection, for example). Arguments about the specific value of Medicaid and public housing subsidies could result in minor shifts in the trend line shown in the figure, but the overall shape must remain the same by any method of computation: a very large increase in the last half of the 1960s, a smaller drop in real value in the last half of the 1970s (because of inflation—the nominal value of benefits continued to rise), and only small changes since the early 1980s, when inflation subsided. This basic shape of the trend in welfare benefits sparks the authentic part of the debate, which may be summarized as follows.

Looking at the figure, we see that the real value of the welfare benefit first available in 1936 begins to rise in the mid-1940s. By the end of the 1940s, the illegitimacy ratio begins a modest rise too. The increase in the welfare package steepens somewhat in the mid-1950s, and within a few years the slope of the illegitimacy ratio steepens as well. Then in the mid-1960s the trend lines for both the value of the welfare package and illegitimacy shoot sharply upward. All of this is consistent with an argument that welfare is an important cause of illegitimacy.

But there is another side to this story, as shown in the graph after the early 1970s. After 1973, the value of the welfare package begins to drop, while illegitimacy continues to increase. This is inconsistent with a simple relationship of welfare to illegitimacy. Why didn't illegitimacy decrease a few years after the value of welfare began to decline?

At this point, the published research literature is little help. The "research," if it may be called that, has consisted mostly of pointing to the part of the graph that is consistent with one's position. But the contending parties in the debate must hold certain underlying assumptions about how causation is going to work in such a situation. Let's suppose you want to argue that the trend in illegitimacy should have flattened and reversed when the real value of welfare benefits stopped climbing. It seems to me that this implies two assumptions: (1) fertility behavior is highly sensitive to incremental changes in welfare benefits, inde-

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pendent of existing fertility trends among single women, and (2) young women accurately and quickly discount nominal increases in welfare in keeping with changes in the Consumer Price Index.

I do not find either of those assumptions plausible. In the late 1970s, social scientists knew that the real value of the welfare benefit was declining, but the young woman in the street probably did not. She was, after all, seeing her friends on welfare get checks that were larger every year, and health care and housing benefits that were more important every year as prices went up.

People like me also have to meet a burden, however. The main one, as I see it, is to spell out how a complex causal sequence is working, for, clearly, a simple causal link (fertility behavior among single women goes up and down with the value of the welfare check) doesn't work. One of the key features of my explanation is the assumption that many of the social restraints on illegitimacy erode as out-of-wedlock births become more common. Thus we may argue that the very large increase in benefits in the 1960s was indeed a major culprit in jacking up the illegitimacy ratio, but that the increased prevalence took on a life of its own in the 1970s. I find this plausible but, obviously, many who use the 1970s as evidence that welfare does not cause illegitimacy must not find it plausible. Here, the prescription to improve the quality of the debate is for both sides to spell out the assumptions that go into their causal arguments and test them against the data.

The great black fertility illusion

This brings us to the issue I mentioned earlier, that on one argument crucial to the debate, the accepted wisdom is 180 degrees wrong. It involves black illegitimacy, which has always been at the center of public concern about illegitimacy, and at the center of debate about causes. Many of you who have followed the welfare debate will recognize it, for the argument is made frequently and volubly. It goes like this:

Yes, the proportion of black children born to single women started to shoot up rapidly during the 1960s. But during that same period, the incidence of births among single black women was actually going down. If the increases in welfare during the 1960s had such terrible effects, why were fewer single black wo-

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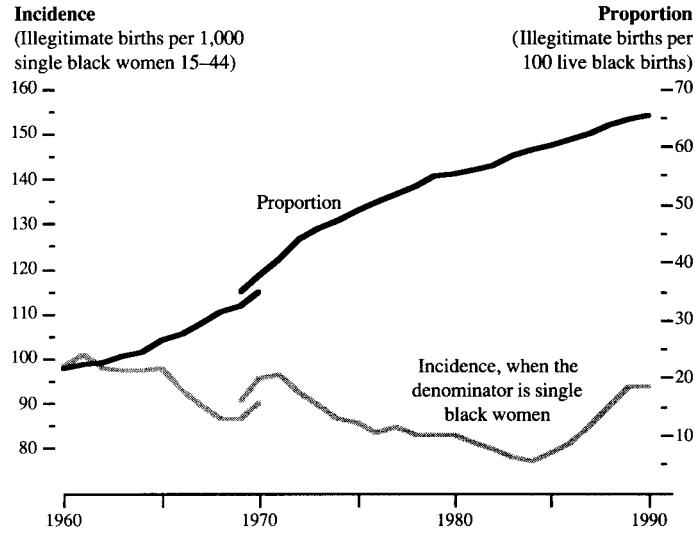

Line segments. 1960–70: All nonwhites. 1968–90: Blacks only.
Source: Computed from National Center for Health Statistics, "Advance Report of Final Natality Statistics," *Monthly Vital Statistics Report*, vol. 42, no. 3 (S) (Sept. 9, 1993), tables 1 and 17, and comparable tables in earlier volumes.

men having babies? Here are the trend lines for the proportion (represented by the line labeled proportion) and incidence (represented by the line labeled incidence).

As one writer put it: "Unmarried black women were having babies at a considerably lower rate in 1980 than they were in 1960. Further, the birth rate among black single women had fallen almost without a break since its high in 1961." The author? Me, writing in *Losing Ground*. At that time, like everyone else involved in the welfare/illegitimacy debate, I took for granted that the production of black illegitimate babies was falling, even though the proportion of black children born to single women was rising, and that this was something that those who would blame welfare for illegitimacy would have to explain away.

Such explanations are available because fertility rates were falling for married women as well. One may acknowledge that broad social forces can have an overriding influence on the propensity of women to have children and still argue that welfare has an independent role in shaping the marital circumstances surrounding the children who are born. But, given the

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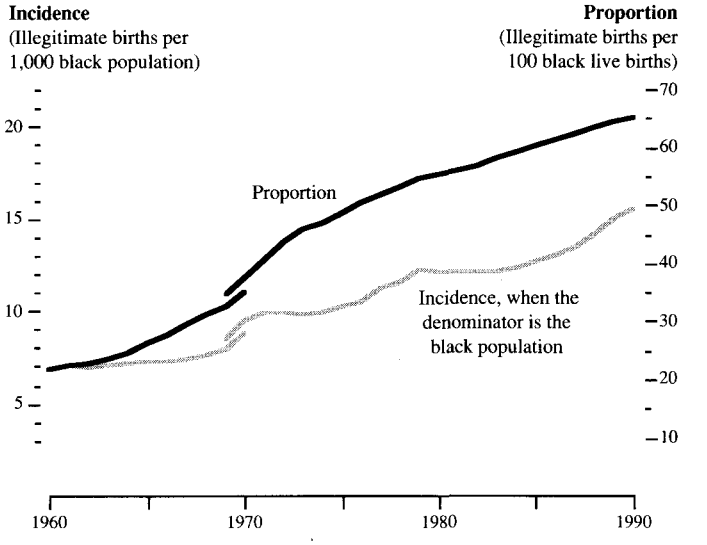

Line segments. 1960–70: All nonwhites. 1968–90: Blacks only.
Source: Computed from National Center for Health Statistics, "Advance Report of Final Natality Statistics," *Monthly Vital Statistics Report*, vol. 42, no. 3 (S) (Sept. 9, 1993), tables 1 and 16, and comparable tables in earlier volumes.

figure shown here, it becomes implausible to make the more ambitious argument that welfare bribes women to have children, no matter how often social workers tell you that they know of many such cases. That is why, in the example of Harold and Phyllis, which became one of the best-known sections of *Losing Ground*, I was careful to begin the scenario with Phyllis already pregnant. I was persuaded by the evidence summarized in the paragraph above that a case could not be made that welfare caused more births, only that welfare raised the probability that a given birth would be illegitimate.

I was wrong. The figure on the previous page reflects a statistical illusion. Here, in the next figure, is the appropriate way to view the production of black babies out of wedlock from 1960 to 1990.

The line for the proportion remains unchanged, but what a dramatic difference in the measure of incidence. The incidence of black illegitimacy did not peak in 1960; on the contrary, it increased slowly until the late 1960s, when it shot up and then continued increasing with only short breaks through the end of

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the 1980s.

What statistical game has been played? If you take a careful look at the labels in the figures, you may be able to figure it out for yourself—notice the difference between "illegitimate births per 1,000 single black women 15-44" in the first graph and "illegitimate births per 1,000 black population."

Statistics don't lie, as long as everyone is clear on precisely what question is being asked and precisely what the statistic measures. Here, we are interested in two separate phenomena: proportion and incidence. Proportion can be measured only one way (divide the number of illegitimate babies by the total number of live births). But in the second and third figures, we used two different ways of measuring incidence, and they showed utterly different results. They cannot both be right. Which one is?

The underlying sense of "incidence" is "frequency relative to a consistent base." If the size of a population were constant, then we could simply use the raw number of illegitimate births as our measure of incidence. But populations do not remain constant. Therefore we need to divide the number of births by some denominator that will hold the population factor constant. The usual way to do this is by using the number of single women as the denominator. This makes intuitive sense, since we are talking about illegitimate births. But it is an inferior measure of incidence because the real issue we are interested in is the production of illegitimate babies per unit of population. What few people, including me, thought about for many years is that it is possible for the production of illegitimate babies per unit of population to go up even while the probability that single women have babies goes down.

This seeming paradox can occur if the number of single women suddenly changes far out of proportion to the increase in the overall population, and that's what happened to blacks during the 1960s. In a mere five year period from 1965 to 1970, the proportion of black women ages 15–44 who were married plummeted by 9 percentage points, from 64 to 55 percent—an incredible change in such a basic social behavior during such a short period of time. (During the same period, the comparable figure for whites fell from 69 to 66 percent.) Black marriage continued to fall throughout the 1970s and 1980s, standing at about 36 percent in 1990.

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To see what this does to the interpretation of fertility rates, think of the familiar problem of interpreting Scholastic Aptitude Test (SAT) scores. Whenever the scores go down, you read news stories pointing out that maybe education isn't getting worse but that more disadvantaged students (who always would have scored low, but had not been taking the SAT) have entered the SAT pool, therefore causing the scores to fall. It is a similar scenario with the pool of black single women: By 1970, a large number of black women who would have been married in the world of 1960 were not married. The pool was being flooded. Did these new additions to the pool of single women have the same propensity to have babies out of wedlock as the old pool of single women? The contrast between the two figures suggests that the plausible answer, no, is correct.

The crucial point is that the number of illegitimate babies in the black population—not just the proportion, but the number—produced in any given year among a given number of blacks nearly doubled between 1967 and 1990, even though the fertility rate among single black women fell. It increased most radically at the end of the 1960s, tracking with a plausible time lag the most rapid rise in welfare benefits. Or in other words, black behavior toward both marriage and out-of-wedlock childbearing during the period in which welfare benefits rose so swiftly behaved exactly as one would predict if one expected welfare to discourage women from getting married and induce single women to have babies.

When we then take the same measure and look at it over the fifty year sweep from 1940 to 1990, comparing black incidence of birth within marriage and outside marriage, all against the backdrop of the value of the welfare package, the figure on the following page is how the picture looks.

The figure is not in any way "proof" of a causal relationship. But it is equally important to confront the plain message of these data. At the same time that powerful social and economic forces were pushing down the incidence of black children born to married couples, the incidence of black children born to unmarried women increased, eventually surpassing the rate for married couples. Something was making that particular behavior swim against a very strong tide, and, to say the least, the growth of welfare is a suspect with the means and opportunity.

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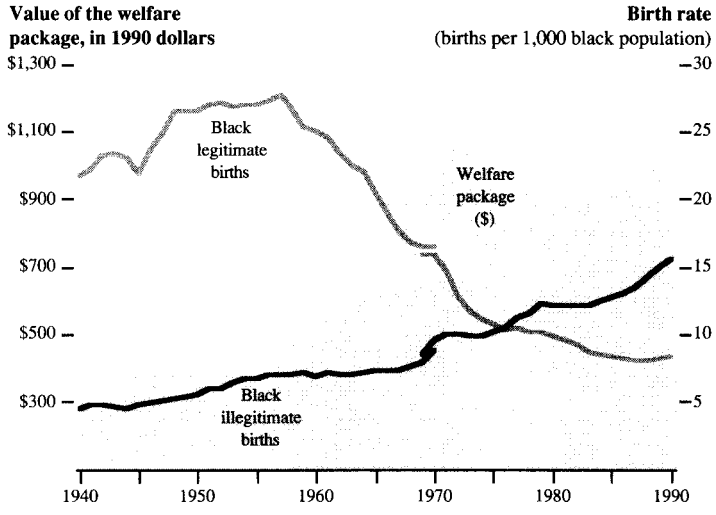

Line segments. 1960–70: All nonwhites. 1968–90: Blacks only.
Source: Sources used for figure 1.

This new look at black illegitimacy, then, contradicts one of the main arguments that has been used to exculpate welfare's role in promoting illegitimacy. This will not stop the debate. The map linking welfare and illegitimacy still has big gaps. Optimistically, the progress we have been making in the last decade will continue. Pessimistically, it had better. For if illegitimacy is as serious a problem as I think, we cannot afford to waste much more time in deciding what needs to be done.

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How social problems are born

NATHAN GLAZER

HOW DO WE get more attention, more public action, for a problem we consider important? More important, how do we get the right kind of public attention and action, right in scale, and right in the kinds of solutions the public is willing to accept and fund?

Contemporary social scientists are skeptical about the possibilities of achieving such a rational ordering of things. Consider the following from the sociologist Joseph Gusfield:

> Human problems do not spring up, full-blown and announced, into the consciousness of bystanders. Even to recognize a situation as painful requires a system for categorizing and defining events.... "Objective" conditions are seldom so compelling and so clear in their form that they spontaneously generate a "true" consciousness. Those committed to one or another solution to a public problem see its genesis in the necessary consequences of events and processes; those in opposition often point to "agitators" who impose one or another definition of reality.

This passage is taken from Gusfield's *The Culture of Public Problems: Drinking-Driving and the Symbolic Order* (University of Chicago Press, 1981) and he exhibits in it a common approach in today's social sciences to the issue of how we make social problems out of social conditions, which may be crudely summa-

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rized as: It's all in the head. We need a system of defining and categorizing events before we know we have a problem. When most of us agree we do have a problem—when a social condition has been changed into a problem—we interpret this as a case of the problem having become worse, or a case of increasing empathy and sympathy on the part of the public for those suffering. Paradoxically, we often recognize that we have a problem when the condition we are responding to has improved. Recall how the problem of "poverty" burst upon us in the early days of the Kennedy administration. John Kenneth Galbraith had just published *The Affluent Society*, and Michael Harrington had published *The Other America*, but as we now know poverty had been declining all through the forties and fifties.

So our first explanation of how a condition has become a problem may not hold—the problem may not have become worse. Our second, that we have become wiser or more understanding or more sympathetic to the plight of others, is flattering to us, but Gusfield does not give us that credit. It is our categories, rather than reality, that have changed. As we look further into his study of drinking-driving in the book from which I have quoted, we find it is rife with discussions of symbolism, dramaturgy, rhetoric, metaphor, and the like. "The Fiction and Drama of Public Consciousness," one chapter title announces. "The Literary Art of Science: Drama and Pathos in Drinking-Driver Research," another reads.

This is not a case of individual idiosyncrasy. Much of the writing by leading social scientists on how we fix upon social problems, on how they get on the agenda of public attention, is skeptical as to the kind of simple and direct relation we might imagine: the problem gets worse, or we become more sensitive to it. More likely, an interest group of some sort, an advocacy group, has taken it up and made it a matter of public concern. The arts of publicity are more relevant than the findings of science.

Thus, in Gusfield's *The Culture of Public Problems*, devoted to the problem of the drinking driver—one would think a serious enough issue to deserve direct attention—we will find rather more references to the literary critic Kenneth Burke than to any scientist or social scientist.

The issue for Gusfield is not only the social construction of

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public problems, which do indeed have many dimensions, among which the determination of fact, of the existing situation, is only one, but the social construction of science itself, a rather popular theme among social scientists and advanced literary critics these days.

The role of rhetoric

There is undoubtedly a degree of overkill in Gusfield's approach but there is something to learn from it too, as we consider how we get the right kind of public attention for an issue of importance. One problem to which Gusfield points is that we move very rapidly from the problem itself, which may be both undeniable and important, to the arts of publicity and attention-getting, and, as he argues, these arts also affect almost immediately the very facts that we use to get attention and that are the bedrock of our initial concern. Thus, if we examine the facts which we use as the basis to claim attention, public money, funds for research, we see that the facts themselves become shaped by the need to compete with other claims, other problems, for which the arts of publicity are also employed.

Half of the 50,000 deaths a year from automobile accidents are attributed regularly, we are told, to drink on the part of the driver. When we examine this oft-repeated statistic, according to Gusfield—and he goes into the source of the figure in detail—it turns out that it is hardly solidly based, that many questions can be raised about it. Similarly with the statistic on how many Americans have serious drinking problems—a common figure of 9 or 10 million was used when Gusfield was writing his book in the early 1980s; its sources are murky and uncertain, and of course depend on what we mean by drinking problems.

It is not only in the case of drinking-driving and alcoholism that the first necessary step in defining a problem—finding out just what the scale of the problem is—immediately gets mixed up with the necessary requirements of the next steps in getting attention for it, bringing it to the notice of necessary publics. And so we are familiar with disputes right now about the scale of date rape on campus, as well as with the prior question of just what date rape is. Similarly with child abuse, and many other public issues.

Is Gusfield only playing games when he asks just how do the

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authorities decide that an accident was based on drinking, and other questions which undermine the statistic that half of all automobile accident fatalities are owing to drinking? Of course drinking-driving is a serious problem, so why does he bother us with the figures used in making a case to congressional committees or attracting publicity or funds? But his approach does alert us to a number of things of importance. First, that rhetoric, drama, the arts of gaining access to the mass media or congressmen, are implicated at the very beginning in all our efforts to gain attention to social problems. Second, that there is no easy way of scaling social problems from the point of view of how "important" they are. In the passage I reprinted from his *The Culture of Public Problems*, he placed the words "objective" and "true" in quotation marks. Third, that because this is so there is the constant danger of overkill, over-dramatization, the constant possibility that those most gifted in the arts of publicity and drama will engross a larger share of funds and attention than *their* problem warrants. (I leave aside for the moment the question of whether we can decide on any objective basis how much money or attention one problem deserves as against another, or the methods by which we might decide. Whatever our answer, we would probably all agree that some problems seem to have gained an inordinate amount of attention compared to others of apparently similar or greater scale. This has been argued in the case of AIDS. Very likely the attention AIDS gets is in part related to the number of people in the arts and fashion and publicity who are affected.)

It is revealing that Gusfield titled an earlier book, on the temperance movement, *Symbolic Crusade*, and it is clear that the use of the term "crusade" is meant to suggest to us that a movement that tried to deal with a problem that was serious enough at the time, and that may be as serious today, was overdone, excessive, shrill, in some ways more than the problem called for. (After all, it led, astonishingly, to the passage of a constitutional amendment banning alcoholic drinks.) The use of the word "crusade" today implies that we are confronted with something that is rather too grand, too much, for its object, and the word tends to evoke skepticism of the cause to which it is attached, rather than inspiring greater commitment to the cause. What, after all, in our laid-back contemporary world, used to

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horrors of all sorts, deserves a "crusade," with its religious implications? (We seem happier with the word "war," as in war against poverty, and war against drugs, headed by a czar rather than a pope.)

The knowledge problem

Gusfield does I believe emphasize too much the social construction of problems rather than their objective realities (and I am not using quotation marks, as he did around "objective"), but his work draws our attention to a surprising fact about social scientists' examination of the question of how a social condition becomes a social problem: There is a considerable degree of skepticism of how we go about it, or indeed how we can go about it in a democracy in which the mass media inevitably shape public perception and knowledge.

One finds the same in another social scientist, the late Aaron Wildavsky, who devoted a considerable part of his enormous energy and great talents to the study of how society deals with risk. Wildavsky gave more credit to the objective realities than Gusfield does, but he doubted they could play a major role in determining how we allocate our resources in dealing with risk. While he dealt primarily with environmental risks, he would have said the same thing about social risks and social problems. But despite his much greater respect for science and scientists and their ability to determine the degree of danger from various environmental risks (had he been speaking about social problems he might well have approached Gusfield in skepticism), he also believed that any hope of matching our resources to our problems by taking account of the scale of the danger they posed was probably a vain one. The problems were primarily political, and when Wildavsky said political he meant also cultural, tied up with our interests, our values, our perceptions, which brings him not far from Gusfield.

"What would be needed," he and Mary Douglas asked in their book *Risk and Culture*,

> to make us able to understand the risks that face us?—Nothing short of total knowledge (a mad answer to an impossible question). The hundreds of thousands of chemicals about whose dangers so much is said are matched easily by the diversity of the causes of war or the afflictions of poverty or the horrors of religious and

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> racial strife. Just trying to think of what categories of objects a person might be concerned about is alarming. Indeed, it might be better for mental health to limit rather than expand sources of concern. Since no one can attend to everything, some sort of priority must be established among dangers.... Ranking dangers ... so as to know which ones to address and in what order, demands prior agreement on criteria. There is no mechanical way to produce a ranking.

Scientists may come together on this (less likely social scientists) but there is no way of making their agreement public policy: We are not a nation of philosophers and kings. The issue then becomes political, with everything involved in that term. Douglas and Wildavsky quote some other authorities on risk:

> Values and uncertainties are an integral part of every acceptable-risk problem. As a result, there are no value-free processes for choosing between risky alternatives. The search for an "objective method" [again, in quotation marks] is doomed to failure and may blind the searchers to the value-laden assumptions they are making....

Another quotation from a different source:

> Not only does each approach fail to give a definitive answer, but it is predisposed to representing particular interests and recommending particular decisions. Hence, choice of a method is a political decision with a distinct message about who should rule and what should matter.

Scientists may agree on what risks should be addressed, in what order, with what resources, but even that is not assured, and when it comes to social problems and social scientists agreement is even less likely. Popular passions will be aroused, they will affect what politicians and administrators do, and one can only hope that knowledge—authentic knowledge, solidly based, scientifically established, something I still believe in despite the assault on its possibility we have seen in the newer trends in the humanities and social sciences—will play some role in determining what legislators and administrators do.

So in almost all transitions from social condition to social problem we are in the grip of passions, interests, perceptions, values that are not going to be affected much by what the scientists tell us. Gusfield called the fight for temperance a "crusade," Aaron Wildavsky uses the term "sectarian," with its

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religious connotations, to describe those who devote themselves to getting the public and government to pay attention to what they conceive of as major risks, and he uses the term not as an epithet but as a carefully constructed concept which for him describes the character of the people and groups who have done so much to alert us to environmental risks.

Despite the fact that there is a great deal that we can learn from the work of Gusfield and Wildavsky on how social conditions become social problems, I will separate myself from the full scope of their arguments. I believe that there are objective ways of determining the scale of a problem, even if all our efforts are somewhat corrupted by our political attitudes, by human failings that affect even scientists, and other factors; and that while we have undoubtedly seen cases in which the attention to a problem and the resources devoted to it can properly arouse skepticism, there are indeed conditions which hardly need to be "socially constructed," which spring to our eyes and appeal to our human sympathies and simply demand attention, and for which there would appear to be only one central question to consider: What to do about it. Yet we must be alerted to the issues the social scientists raise when we consider pragmatically how to make a social condition a social problem.

The case of Prohibition

Our two authors have tended to concentrate on issues which have in some way been misconstrued owing to interests and passions, perceptions and values, they do not share. Thus, temperance was initially raised as a moral problem, a problem of making people better. This was in time joined by other considerations: temperance would fight poverty among workingmen, making them better workers, fathers, husbands. Eventually the method chosen to make them better was that of depriving them of the means for bad behavior. We consider Prohibition a great failure, but it did (according to the best authority) reduce the consumption of alcohol by half.

It is not clear how the problem of excessive alcohol consumption might have been better construed at the time; it could not easily have been construed differently from what it was in a largely rural and small-town, Protestant and evangelical America, fearful of the rising numbers of immigrants and Catholics, of the

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growth of the big cities with their wider range of acceptable behavior, their greater tolerance. We now see the crusade as mistaken, because we see the problem of alcohol consumption, when it becomes a problem, as one of mental health, and its incidence and impact have declined, at least in public perception, perhaps in reality. That decline has much to do with our viewing alcohol—as so much else—in the context of health rather than sin, as we have seen the decline of the theological ethic, and the rise of the therapeutic ethic. (The decline in alcoholism may also be connected with changes in taste and fashion, from hard liquor to wine, from wine to water.)

Just as Gusfield's temperance crusaders are seen as motivated by the fight against sin, evil, bad behavior, when they might have chosen (and in time their successors did) a more effective way of viewing the problem, Wildavsky's environmental crusaders are viewed as sectarians, impassioned, moving from one topic that arouses their indignation to another, incapable of placing in the balance the goods the technologies they oppose have brought, or comprehending the impact on lives and economies of the measures they demand. Religion has now been replaced by a suspicion of science and technology, a suspicion of big organizations, whether industrial firms or government, even though government is called upon to restore the ecological balance (but the distrust of government is such that it is primarily the courts and judges who are depended on to keep government in line in enforcing the rules and regulations).

Tobacco, a success story

Despite the rather sour tone adopted by many of our best social scientists toward crusaders and sectarians and indeed toward the passion for reform in general (a tone we may trace, perhaps, to Richard Hofstadter's *The Age of Reform*), we live in a society afflicted with problems that are hardly imaginary, hardly the result of misperceptions inspired by the passions of crusaders and sectarians. And we have seen successes in transforming conditions into problems in which we do not sense that crusaders and sectarians are driving forces, but rather scientific understanding and pragmatic policymakers. Perhaps the largest success (partial it is true), is the decline in tobacco consumption, and the decline in its social acceptance. While the battle against

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smoking is not without its sectarians, the costs of smoking to health are undeniable and ever more solidly documented, and the efforts that have been devoted to reducing its incidence have been balanced and, in time, effective.

Interestingly enough, the effort to reduce the consumption of tobacco has not been conducted, as so many others have, by means of major federal legislation, giving responsibility to a major federal agency, new or old, operating under law and issuing detailed regulations. Nor do we have a single major reform organization devoted to the cause of eradicating smoking—there is no equivalent to the Women's Christian Temperance Union, the Anti-Saloon League, the major environmental organizations. There are anti-tobacco crusaders, but they are local rather than national, hardly organized, and their effectiveness has been in getting local restrictive legislation, and in getting large organizations to set rules limiting the areas where smoking is permitted. At the national level, there have been warnings rather than prohibitions, the voluntary—though under pressure—banning of advertising on TV, the local pressure against billboards.

The campaign for the reduction of smoking has thus been characterized first by the fact that it was initiated by almost unambiguous scientific findings, announced by high medical authority, rather than by mass pressure from a mass organization; second that it has been conducted more on the local level than on the national; third that it has been characterized more by voluntary concessions, as in the case of advertising, than by national prohibition.

I have been trying to understand just why the campaign against smoking has been successful to the degree it has, so much more successful than the campaign against drugs for example, and why its characteristics have been so distinctive, but it has not been easy to get light on this matter. Seeking for some understanding on the shelves of the Widener Library at Harvard, I discover to my surprise that there is very little on the subject. "Smoking" comes in the Library of Congress cataloguing system between "drink" and "drugs," and while one finds shelf upon shelf of material on these two subjects, on smoking, there is almost nothing, a few disparate volumes. I wonder whether this is because we prefer studying failure rather than success; or because the limited degree of national coercive action means there is less to

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study; or because tobacco is inherently less glamorous than drink and drugs. But it kills as many people and if we have an example of success, even partial success, it should be worthy of study.

I am sure that to the smoker my assessment of the moderate nature of the campaign against smoking, compared to the crusade against drink, or the war against drugs, is too benign. Yet it is my impression there is something to be learned from the smoking story as we try to understand the more effective ways in which we convert social conditions into social problems. One thing to be learned, for example, is that moderation in the campaign, the willingness to accept slow but steady progress, may prevent a major backlash. In the case of drinking, the backlash was the repeal of the Eighteenth Amendment. Much had been learned from Prohibition and one important thing that had been learned was that it was better to leave the matter to the states and the localities. As a result, drink disappeared from the national agenda, and an issue that had troubled American political life for generations was domesticated. Excessive drinking became a medical and health problem, not a moral or legal problem.

Backlashes

The war against drugs has not yet met such a backlash, but it may in the campaign for legalization. There are incredible problems around legalization, but there are incredible problems around our efforts to eradicate drug use, too, and we may well find in time that questions will be raised about why we spend billions ineffectively in trying to eliminate the sources of drugs and in trying to eradicate dealing in drugs, why so large a proportion of our criminal justice resources—in police, judges, prosecutors, courts, jails, prisons—is devoted to the attempt to wipe out drug use.

We may shortly find another case of backlash in the case of child abuse. The story of child abuse is also one of a case, as in smoking, in which reform starts from the top, rather than as a result of mass pressure from crusaders or sectarians, and in which doctors rather than movement people play the central role, at least at the beginning. The story is an interesting one. It begins with interest in sponsoring research on the issue of child abuse in the Children's Bureau in the then-Department of Health, Education, and Welfare. They funded the work on this subject

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of Dr. C. Henry Kempe, a pediatrician who specialized in immunology, and who noted that the interns and residents he supervised were more interested in diagnosing rare blood diseases in the children under their care than in noting physical injuries to the children. Dr. Kempe wanted to draw attention to this problem. In one of his first efforts to report on the physical abuse of children, he organized a seminar at an academic meeting on the physical abuse of children. We are told by Barbara J. Nelson, who has researched this story, that

> fellow members of the program committee suggested that a title such as physical abuse which emphasized legally liable and socially deviant behavior might make some members wary of attending the seminar. Kempe agreed, renaming the seminar the "Battered Child Syndrome." In one stroke he labeled the problem in a manner which downplayed the deviant aspects while highlighting the medical aspects. From an agenda-setting perspective the effect of the label cannot be overestimated.

In 1962 Kempe published an article under that title in the *Journal of the American Medical Association*. The rest is history. The mass media took up the phrase and the issue (scarcely a case of a situation that had become observably worse, but rather one for which the right label had been found) became a national one, a classic case of how a social condition becomes a social problem. The Children's Bureau proposed a model child abuse reporting statute in 1963, and by 1967 every state had passed a reporting law. Laws were revised over time to become ever stronger. To the physical abuse of children, attractive enough to the mass media, was added concern for their sexual abuse, and we may well have now reached a stage where considerably more is reported and even prosecuted than exists, and we may be on the verge of a backlash against the attention and resources devoted to the problem, a common stage in the history of such "victories."

Of course it is inevitable, what with changing cycles of attention and fashion, that at one point there will be great attention to a social problem, at a subsequent point much less, with very little change in the problem itself. But what most impresses when one considers the range of problems with which the mass media, scientists, social scientists, legislators, voluntary organizations, all deal, is that no problem is fully neglected. This is not

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surprising in a democracy where everything is open, every issue has its advocates, and the mass media are ever ready to exploit a problem which has been lying fallow and relatively neglected. There are entrepreneurs of problem-making, problem-enhancing, at all levels: professionals in given areas, who see a problem others do not, such as battered children; bureaucrats seeking to maintain old missions, expand into new missions, as in the case of the Children's Bureau; legislators who leap into an area in which there is no or little legislation and try to make it their own, as Congressman Mario Biaggi did in the case of child abuse; scientists, natural and social, who see opportunities for research; editors and journalists, seeking new and interesting topics; advocacy organizations, some single-mindedly dealing with one clientele, one issue, others seeking to expand into new issues as old ones lose interest and salience. We see the change in perception starting in some cases through some administrative or bureaucratic action at the top, in others being initiated by an outside advocacy group, in others seemingly launched on the public stage by a single book, e.g., Rachel Carson's *Silent Spring*, Ralph Nader's *Unsafe at Any Speed*. The number of enterprises of this sort that have failed (including I am sure many books as good as Nader's and Carson's and trying to draw attention to a problem as serious as the effect of pesticides on the environment or automobile safety) are far more numerous than the few that have achieved remarkable success.

There is one factor in the potential success of such enterprises that has not been much noted. I think the scale and steadiness of public response to the entrepreneurs of problem-making depends not only on the seriousness of the problem, on the degree to which it impinges directly on public perception, the degree to which it agitates and concerns the public, but on whether any effective action to deal with it is visible. Consider what is called the "urban crisis," the problem of the inner cities. One may argue with the term, it is not well-defined, and contains within itself a host of other problems. It was once high on the public agenda, in the 1960s and 1970s, and then declined, despite steady study, publications, popular books, advocacy groups, special academic programs, and I would conclude this was for one reason: There was nothing to be done, or at least nothing much to be done. Other problems present clear targets, things to be done, even if they will fail: prohibit drink, ban smoking in

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enclosed spaces, interdict drugs. We learn from the experience, even if slowly and poorly, and eventually we learn there is not much to be done: people will drink and take drugs, there will be cycles of greater or lesser use, and moderate impact is all we can hope for.

We are now at a moment in which great attention is being given in the mass media to a specific problem that can be considered part of the "urban crisis," gun violence, the use of guns in situations, whether of fights among youths or of robbery, in which they were until recently less available or less used, with an accompanying high rate of homicide particularly affecting young black males (who are also those who are using the guns), bystanders, shopkeepers, taxicab drivers. We are now seeing efforts by those in the field of public health to try to recast the problem as a public health one. Thus, it is likened to an "epidemic," which it certainly is, as the word is popularly used, but public health people wonder whether equating it to epidemics such as tuberculosis or AIDS will give us more insight into what is happening, or direct more attention and more effective attention to it, or suggest more tools with which to deal with it.

The model for the campaign against gun violence that is now developing is the successful reduction of smoking, or of driving under the influence of drink. The public health model calls for such actions as proper tracing of the incidence of the condition, relating it to other social conditions, developing campaigns of information and modes of treatment, devising techniques of education or publicity which change habits—which, for example, would make the possession and use of guns reprehensible. Undoubtedly we will be hearing and seeing a good deal more about this in the coming months, perhaps years. Any such effort, if we take as a model the case of driving under the influence of drink, or smoking, must be long-range. The campaign will take forms we cannot imagine now, and we cannot know whether we will achieve the relative success of our efforts to reduce smoking and drinking-driving, or the relative failure of our efforts to reduce the use of drugs.

But one contrast comes to mind and suggests a caution: smoking and drinking-driving were not matters in which incidence was concentrated in one social class, one ethnic or racial group. One could argue the same with gun violence, if one concentrates on the possession of guns, and the overall incidence

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of deaths from guns, and if one places in the same statistical category suicides from the use of an available gun, hunting accidents, domestic violence which climaxes with shooting. These kinds of deaths from guns are old matters, and there has not been, I think, any marked change in recent years. The gun violence that is now the subject of so many newspaper and TV stories is a different matter, concentrated in the inner city, affecting largely one major minority group—young blacks—even though it is also present generally and affects almost everybody.

Is anything gained by lumping this phenomenon into a general category of "gun violence," and considering it under the category of public health? I think not. It is one thing to change behavior, through publicity appeals, through campaigns that change popular attitudes toward a behavior from acceptance to disapproval, when that behavior is found throughout the society, and when those to whom one is appealing are representative of the society in general. It must be a different matter when one deals with behavior that is encapsulated in a specific social group. Consider one consequence of creating a general category of "gun violence." One possible approach, the one most popular today in the mass media and among political leaders, is: Make it harder to get guns. This is likely to work among the middle classes and among groups who presently hold guns legally. It is likely to be completely ineffective among the groups whose very behavior has raised the issue to the high pitch of current concern, the young people who are killing each other in the urban ghettoes, and more occasionally (but often enough) killing others. It suggests to us that it is still important to consider just what the problem is, and we move in rather ineffective directions if we frame it improperly. Is the problem "gun violence," or is it rather the larger one of the complex of social problems in the inner cities that we still have no effective means of attacking? Can the problem of gun violence be effectively isolated from this larger complex and reduced? It seems to me doubtful, but many efforts are under way, from Jesse Jackson's exhortations to the attempt to reframe the issue as one of public health to the campaign of Jay Winston of the Harvard School of Public Health to get anti-gun messages into TV programs. And we will learn from these efforts whether gun violence is more like smoking or more like drugs.

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The ideology of "family preservation"

HEATHER MAC DONALD

CAN A SINGLE welfare mother who has been beating her children, or failing to feed and bathe them, be turned into a responsible parent as the result of a one-to-three month infusion of counselling, free food, cash, furniture, rent vouchers, and housekeeping services—all at public expense? The federal government and over thirty states think so. They have all embraced the hottest new trend in child welfare policy known as "family preservation."

"Family preservation" aims to decrease the number of children placed in foster care by quickly teaching their abusing or neglectful parents the skills necessary to keep the family together. It has transformed the child welfare field, but its significance extends far beyond that field. Family preservation embraces a nonjudgmental ethic of support for all "families," carefully drawing no distinction between single- and two-parent households. It stands for the proposition that nearly all families, no matter how dysfunctional or abusive, can be put right with the proper mix of therapy and social services. The movement thus lies at the intersection of two critical areas in social policy: family values and family structure, and the problems of the underclass.

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The origins

Family preservation began far from the ravaged inner cities that are now its most active arena. In 1974, a group of social workers in Tacoma, Washington, submitted a proposal to the National Institute of Mental Health (NIMH) for a "super foster home." The facility would help foster parents in the area cope with out-of-control adolescents. The NIMH responded with a counter-proposal: rather than putting more resources into foster care, why not try to keep the original birth family intact? Contemporary research into mother-child bonding seemed to suggest that separation from a parent could cause irremediable damage to the child; perhaps if the state intervened with a troubled family in a timely fashion, hypothesized the NIMH, it could avert that trauma. The original group of social workers, headed by husband-wife team David Haapala and Jill Kinney, seized on the NIMH's idea. They founded "Homebuilders," the prototype for all family preservation programs.

Family preservation has several features which distinguish it from traditional social welfare services. Most important, it is short-term. The Homebuilders model averages about 6 weeks; the longest family preservation programs last up to three months. Family preservation is based on "crisis-intervention" theory, which holds that personal crises offer a heightened opportunity for behavioral change. Once the crisis is over, so, too, it is thought, is the opportunity for change, so short-term therapy is considered as beneficial as long-term.

Secondly, family preservation is intensive and home-based. Ideally, family preservation workers work with only two or three families at a time. They visit their clients several times a week and are on call twenty-four hours a day. In addition to providing counselling, social workers are authorized to offer numerous "hard" services, including cash, food, assistance with advocacy groups, rent vouchers, furniture, and housekeeping help.

Thirdly, the movement embodies an optimistic, tolerant attitude toward both family structure and family functioning. Says Robert Little, head of the Child Welfare Administration in New York City under former Mayor David Dinkins: "Family preservation is about a new set of values that guide how we perceive the problem. It argues that all families have strengths as well as weaknesses." The threshold for what qualifies as a "strength" for

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purposes of family preservation is rather low: merely having stayed together as a family is now viewed as a positive achievement. In addition, family preservation adopts what Richard Gelles, Director of the Family Violence Research Program at the University of Rhode Island, calls a "compassionate approach to maltreatment." It views abusive parents, Gelles says, as victims themselves. It sees the cause of child abuse and neglect in the personal history and current circumstances of the abuser, not in the character of the abuser himself.

Family preservation services kick in when a child welfare agency determines both that a family is about to lose a child to foster care and that the child can be kept at home during the course of therapy without risk of injury. A typical crisis triggering the risk of placement in the original Homebuilders program in Washington was a parental threat to turn an unmanageable adolescent over to juvenile court. Other triggering crises could include the loss of a job or of housing or a sudden change in family structure. The family preservation worker acts as a jack-of-all-trades, offering the family not only therapy but also logistical and material help—buying groceries, weatherproofing windows, calling a plumber, taking the parent to appointments. The worker tries to help the family find positive ways of resolving its problems through "rational emotive therapy," a technique for teaching people how not to be controlled by their emotions.

Homebuilders soon started claiming success. Eighty percent of the families served by the program had remained together a year after services had ended; therefore, argued its founders, the state had saved 80 percent of a potential foster care burden. The program spread to twelve of Washington's thirty-nine counties.

Meanwhile, nationally, the perception that the foster care system was in crisis was growing. In 1977, there were half a million children receiving foster care at any given point in time; the average length of stay was 2.4 years. Wide consensus that children were languishing in foster care led Congress to pass the Adoption Assistance and Child Welfare Act of 1980, referred to as P.L. 96-272. Regarded as one of the most significant enactments in child welfare history, the Act requires states to make "reasonable efforts" to prevent foster care placements and to expedite discharge from placement. In effect, P.L. 96-272 mandated the spirit, if not yet the letter, of family preservation.

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As soon as a child enters foster care, the Act requires the child welfare agency to develop a plan for the child's permanent care—a process known as "permanency planning." Though adoption is theoretically always an option, in practice permanency planning has meant that *all* efforts are directed at returning children to their original homes as soon as possible—if not sooner.

P.L. 96-272's requirement of "reasonable efforts" to prevent foster care placements appeared to work. By 1985, the number of children in foster care had decreased to 275,000; the average length of stay was down to 1.5 years. Then the crack epidemic hit. Child abuse and neglect reports shot upward, and with them, the foster care population. From 1986 to 1990, the number of children in substitute care rose 45.4 percent. At the end of 1993, there were 464,000 children living in state-sponsored arrangements outside their home, according to Toshio Tatara, director of the research and demonstration department at the American Public Welfare Association. Other analysts put the number at over half a million. Child welfare costs exploded, in part because P.L. 96-272 imposed extensive paperwork requirements on the states.

It was then that family preservation caught fire nationally. Its claims were irresistible: states could take a stand in favor of family values while reaping huge financial benefits from averted foster care costs. By the early '90s, approximately thirty-five states had family preservation programs. In the tri-state area of New Jersey, Connecticut and New York alone, there were seventy-two programs at the end of 1993, a fivefold increase since March of 1989. Family preservation finally received federal recognition last year. For the past six years, Congress has routinely sought funding for family preservation programs but the initiatives were always vetoed. But with a strong ally of the child advocacy lobby in the White House, nearly $1 billion for family preservation and other family support programs sailed into the 1993 five-year budget plan, down from the $1.4 billion originally sought by the Clinton administration.

The new clients

As family preservation spread across the country from Washington state into the large urban centers during the late '80s, it confronted a radically different population. Begun as a method

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for teaching parents how to "negotiate" with angry adolescents, it now was facing problems of a far different nature—intergenerational poverty, severe drug abuse, and social dysfunction on a massive scale. The journey of Homebuilders' founder, David Haapala, from Tacoma to the South Bronx epitomizes this change.

In 1987, New York City asked Haapala to set up a three-year family preservation demonstration project. Whereas 15 percent of Homebuilders' clients in Washington state were minorities, in the South Bronx, 85 percent were. The crack epidemic was just getting into full swing. Haapala says he soon concluded that "we were in over our heads." He asked the city to stop sending drug cases, but was ultimately persuaded by his local case workers to continue accepting them. Though Haapala claims the project had some "major successes," he admits that the "situation with minority groups in urban settings is discouraging. We don't have enough indications of success to get the momentum to really try something."

What Haapala confronted in the South Bronx mirrors the national picture. Over the last six years, the child welfare clientele has changed markedly. It has become a population characterized by endemic substance abuse and weakened extended family. The typical neglectful family of the late '80s and early '90s possesses pervasive emotional and behavioral problems and is crippled in its abilities to compete in society. Such families are firmly set in a downward spiral; their problems seem to defy all notions of a "quick fix."

Yet a quick fix is precisely what family preservation aims to give such families. Though the problems that lead to foster care placement in the inner city bear little resemblance to the emotional crises that originally gave rise to family preservation techniques, the response is identical. Family preservation proceeds as if all its clients faced an acute crisis that can be resolved with short-term therapy and material aid. But child neglect today is typically chronic and all-pervasive, affecting not just physical care but also cognitive stimulation and emotional nurturance. The typical neglectful family is recalcitrant to treatment: the pattern of neglect is very apt to survive an agency's intervention. Indeed, in one study of chronically dysfunctional families, maltreatment continued right through the therapy for half the cases

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studied.

The very designation of family preservation's clients as "families" and the upbeat philosophy of tolerance and optimism that accompanies that designation may also be misplaced. In lieu of "family," some scholars in the field prefer the term "family fragments" to designate the mother-child groupings that are forever moving in and out of combination with boyfriends, aunts, cousins, and grandmothers. Yet the theories underlying most forms of family therapy assume a two-parent household or at least a stable one-parent family.

Even some of family preservation's proponents admit that there may be a discrepancy between the cure and the disease. James Whittaker of the University of Washington School of Social Work has written extensively in favor of family preservation but he acknowledges that parents who are neglectful—especially where drugs are involved—are one of family preservation's "greatest challenges," because they don't fit the traditional "family-in-conflict" model.

Widespread influence

Despite these misgivings, family preservation has had a profound effect on the rhetoric and practice of child welfare. It is now widely understood that the mission of child welfare agencies is to "keep families together." Placing a child in foster care is now regarded as a sign of agency failure, even though it may represent the best interests of the child. Says William Grinker, head of the Human Resources Administration in New York City under former Mayor Edward Koch: "When family preservation becomes the centerpiece of a child welfare agency, especially in a large system like New York's with inexperienced, poorly trained workers, you begin to lose sight of the most important thing: to protect the child." The assumption that families are inevitably nurturing is now applied even in cases of serious physical and sexual abuse, which is often committed by stepparents and boyfriends who share no biological tie with the child.

If a child *is* removed to foster care, the ethic of family preservation insures that he will soon be returned home regardless of the circumstances. Edna Negron, principal of an elementary school in one of Hartford, Connecticut's toughest neighborhoods, told the *Hartford Courant*: "We have had kids in beautiful foster

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homes put back into homes that are completely dysfunctional. The mother gets out of jail, she's still drug addicted. Boom, the children are [sent] home, until she's rearrested." One-third of children discharged to their homes from foster care return within six months.

It has become almost impossible to free children for adoption because of the emphasis on family preservation. Mary Beth Seader, a vice president at the National Council for Adoption, complains: "I know people who have been trying for two years to adopt these crack babies that have been abandoned in hospitals, but ... the state is not terminating parental rights even if there is no contact with the biological mother."

Illinois's Family First program is an example of the myopia that can beset a determined family preservation bureaucracy. In the past five years, six children have died during or just after family preservation, many more were injured or subjected to continuing neglect. A selection of some of their histories suggests the enormous mismatch between the social services offered and the problems they purport to address:

The case of Senomia B. is typical of the casualties. Her aunt had reported that the three-year old girl was being abused by her mother and mother's boyfriend. From December, 1991 to March, 1992, social workers and housekeepers made thirty-seven visits to the home. They took Senomia's mother out to dinner seven times to discuss child-rearing with her in a "non-threatening environment." On March 17, 1992 the Illinois Department of Children and Family Services closed the case with a glowing report on how well the family was doing. Several hours later, Senomia was dead. She was brought to the emergency room with forty-three scars and burns on her body, most of which had been administered during the course of therapy. Her vagina and anus had been completely burned off by scalding water.

In spring of 1993, a drug-abusing mother was given family preservation services after having been charged with criminal battery of her two-year old daughter. The authorities investigating the battery charge had found the girl and her eight-month old brother eating out of dishes encrusted with rotten food and swarming with flies. Five days after family preservation services began, the boy was dead. Apparently the girl had tried to bathe him while the mother slept, leaving them unattended.

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At the time of Patricia Brown's arrest in 1991 for prostituting her eleven-year old daughter in exchange for heroin, money, and—once—a pair of athletic shoes, she had had a homemaker in her home four times a week for over a year as part of the Family First program. The police found Brown strung out on heroin and the children living in filth. Despite the recent services, the apartment had no running water, no electricity, no stove or refrigerator, no food for the children, no furniture except for an old mattress, and the toilet was overflowing with human waste.

In response to such cases, Cook County Public Guardian Patrick Murphy introduced a bill in the 1993 Illinois legislature to require court approval for family preservation in cases of physical or sexual abuse. The social welfare bureaucracy immediately attacked this threat to its autonomy. Its members inundated Governor Jim Edgar with opposing letters; the American Civil Liberties Union weighed in with the charge that the bill was "anti-woman." Edgar eventually vetoed the legislation.

Illinois ended its Family First program last year after a fifteen-month old girl was killed, allegedly by her mother's latest boyfriend, while the family was receiving family preservation services. This decision does not mean, however, that Illinois is rejecting family preservation. It is now introducing the original Homebuilders model, which, though it has a vastly better safety record than the Family First program, embodies the identical philosophy.

It must be said that every area of child welfare practice can produce horror stories. Foster care is infamous for them. Nevertheless, the family preservation ethic, with its commitment to the innate value and redeemability of all families, seems particularly at risk for such miscarriages.

Family preservation has reconfigured the funding map for child welfare services and research. In Washington state, the Homebuilders program is funded at a higher level than other community-based services and is virtually exempt from cutbacks. New York City funded its family preservation program in 1991 by stripping $18 million from traditional child protective services, an amount the then-Human Resources Administrator, Barbara Sabol, claimed represented the future savings in averted foster care. Caseloads in the rest of the child welfare system

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promptly shot up to unacceptable levels. Sister Mary Paul, clinical director of the Center for Family Life, a family support organization in Brooklyn, laments the "diversionary effect" that family preservation has had on New York City at large. "Some neighborhoods," she says,

> keep the foster care caseload going. It is wrong to aim just at the bad apples, when next door, three-quarters of the children are not reading at grade level and are at risk of dropping out. We should figure out what to do in those neighborhoods so you don't need six weeks of scintillating care.

Richard Gelles of the University of Rhode Island has tried to get funding for research into risk assessment—the social science technique for determining which individuals are most at risk for problems such as violence, illegitimacy, foster care, and school failure. There is a critical need for better risk assessment in social policy planning, but Gelles discovered that "all the money is going into family preservation."

Where's the evidence?

What has been most remarkable about the revolution wrought by family preservation is that it has occurred without any valid evidence supporting its claims. Peter Rossi, emeritus professor of sociology at the University of Massachusetts, sums up the situation: "A terrible thing is occurring. The federal government and the states are running pell-mell into family preservation without fully considering the evidence for it. It won't save money, but it will provide a better standard of living for child welfare workers."

From the outset, the crux of family preservation's appeal lay in its claim that it prevents foster care placements. But there has been a "profound lack of careful research" into this claim, says Ira Schwartz, dean of the School of Social Work at the University of Pennsylvania. Of the studies that do exist, argues Gelles, "90 percent don't meet the minimum standards of scientific evidence." There have been only three randomized, controlled studies of family preservation since 1974. The control groups were composed of families who had been selected for family preservation services but were only given traditional child welfare services. None of the studies found a statistically signifi-

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cant difference in the foster care placement rates between families that received intensive services and the control group that did not.

Equally important, the placement rates in both groups were quite low. The largest and most rigorous study to date, a two-year study of the Illinois Family First program by the Chapin Hall Center for Children at the University of Chicago, found that only 7 percent of families in the control group lost a child to foster care in the first month. This finding means that family preservation services are being directed at families who are not at actual risk of placement to begin with. The standard claim by family preservationists that the program averts placement for 80 percent of the participants is therefore meaningless: those 80 percent were not going to be placed anyway.

This finding greatly affects the economics of the program. Family preservation does not come cheap—in New York City, for example, a six to eight week intervention costs $11,700 per family. While many families would undoubtedly benefit from six weeks of free services, the program can be cost-effective only if it is in fact delivered to families who otherwise would contribute to the foster care caseload.

The Chapin Hall study in Illinois also found no differences in subsequent confirmed reports of maltreatment between the experimental and control groups. The report concluded: "It is possible that in most cases of placement, no services would adequately control the risk to children, at least no services short of virtually constant monitoring."

Other studies, such as a 1990 experiment in New Jersey, found some benefits in family functioning that dissipated over time. The reason for this dissipation is simple: Dysfunctional families don't happen overnight. Their behavior is well-embedded by the time they come to the attention of the authorities. Sister Mary Paul of the Center for Family Life argues that "the belief system of family preservation is not attached to the reality I know. In my community, the problems exceed what can be erased in six weeks."

There are numerous conceptual problems with the claims of family preservation advocates as well. In 1991, Peter Rossi wrote a report that was highly critical of the existing research on family preservation. He noted that to use placement avoidance as an

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outcome measure is misleading, since it is not an outcome that is independent of the program itself. There is a moratorium on placement during the course of the program. The fact that a child is not placed *during* family preservation is part of the treatment, not a result of treatment. The moratorium may cover the period of crisis that would have led to placement, so the fact of non-placement *after* family preservation services may also "have nothing to do with [the] services but all to do with placement moratoriums," says Rossi.

Richard Gelles points out that a state can decrease foster care placements simply by leaving children at risk: "The dependent variable in child welfare policy is the actual welfare of the child, not foster care placements. The criterion for success should be an increase in the safety and functioning of the family, not money saved."

There are other ways to manipulate the success rate of family preservation. A former official with New York City's Human Resources Administration says that if a family in New York City's family preservation program looked like it was not going to be successful, it might be quietly dropped from the program to protect the record.

The guiding belief of family preservation is that there is a large number of unnecessary and avoidable foster care placements in the system. Cook County Public Guardian Patrick Murphy wrote a book to that effect—but that was in 1974. He argues now that we're keeping cases out of court which should be in: "Kids are being kept at home because no one knows what to do with them." Courts are reluctant to sever the biological tie if there is the slightest flicker of parental interest. In the opinion of both John Schuerman, director of the Chapin Hall study of Illinois' Family First program, and David Fanshel, a child welfare expert recently retired from Columbia's School of Social Work, the growing burden on the foster care system simply reflects worsening conditions in society, not the system's overuse.

The assumption that foster care is inevitably damaging to the child also does not stand up to scrutiny. While there is evidence of adverse short-term effects of separation, Peter Rossi questions whether these findings "apply with any force to relationships that have deteriorated to the point of abuse." At the very least,

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there is little evidence of a strong attachment on the part of the abusing parent. Bouncing around from foster home to foster home is clearly detrimental to a child, but studies of black male children in New York City show that those raised in foster homes fared better than those returned to their families after just a short stay in foster care.

Finally, there are numerous possible ethical objections to family preservation. Patrick Murphy rejects the logic of showering benefits on the worst parents while the hard-working family next door is barely scraping by. "In most cases," he says, "giving money and services to parents who have abused their children does nothing but reward irresponsible and even criminal behavior." Ira Schwartz of the University of Pennsylvania questions the very premise that underlies family preservation and indeed the entire child welfare system. "Is physical and sexual abuse in the home a crime or not?" he asks. "If I beat my neighbor's daughter, I get the criminal justice system; if I beat my own daughter, I get a social welfare worker." This double standard creates a confused mission for the child welfare system, Schwartz says, and sends children an inconsistent message: society will treat a twelve-year old as a criminal, but allow his parents to abuse him with impunity.

Marching on

None of this criticism has impeded the steady progress of family preservation. Two foundations—the Edna McConnell Clark Foundation in New York City, and the Annie E. Casey Foundation in Greenwich, Connecticut—have played a critical role in that progress. For the last decade, the Clark Foundation has spent $4 million a year promoting family preservation relentlessly. The foundations provide both program support and marketing. They funded a 1992 Bill Moyers TV special on family preservation, for example, which presented an unremittingly glowing view of the movement. The Clark Foundation supports a national clearinghouse for information on family preservation. States and localities rely uncritically on the foundations' data; so, too, do presidential advisors.

The interested parties have developed a wonderful capacity to simply ignore criticism. The Clark Foundation itself commissioned the 1991 Rossi study that undermined every one of family

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preservation's empirical contentions. Yet a 1992 glossy booklet on family preservation published by the foundation continues to claim that because 80 percent of the families served are still together a year after receiving services, the program is a "cost-effective" intervention—a claim that Rossi thoroughly demolished.

In April of 1990, the Michigan Department of Social Services testified before Congress that its Family First program had resulted in a dramatic decrease in foster care placements. Yet from 1987 to 1991, the number of case openings actually increased. The number decreased in 1992 only because the department had changed the definition of abuse and neglect, according to Dean Schwartz.

During the hearings on the inclusion of family preservation in the 1993 congressional budget, no researchers were invited to Capitol Hill, according to Richard Gelles. "Only two groups didn't testify," he says: "the kids who have been beaten and the heretics." After the money was appropriated, the Department of Health and Human Services asked what works in the field of preventive services, and found that no one really knew.

Ideological function

The unopposed success of family preservation, despite its nonexistent empirical grounding, cannot be explained solely on the basis of its fiscal promises. Family preservation has succeeded in part because it plays an important ideological role in the culture's flight from honesty about the problems of the underclass. Its optimistic message that short-term therapy can mend the most dysfunctional of families papers over the social pathologies that are preventing stable families from forming in the first place.

Ideology is no stranger to the field of child welfare. Thousands of black children remain in limbo in foster care because the National Association of Black Social Workers has declared transracial adoptions to be a form of "cultural genocide." The genocide theme appears in discussions of foster care as well. Foster care is said to raise primal fears in blacks from the days of slavery. The overrepresentation of blacks in the child welfare system is attributed to racism on the part of child welfare workers and the courts, even though most child welfare workers in big cities are black. The Clark Foundation argues that the presence of alleged child abuse may sometimes simply reflect cul-

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tural diversity: "'Abuse' may include errors of judgment or propriety that may reflect a group's cultural norms but violate standards of child protection experts or legislators."

The most important ideological effect of family preservation is to legitimate illegitimacy. Even though the proportion of single mothers in family preservation programs is extremely high—85 percent in Kentucky, 80 percent in Detroit, for example—and though neglect is found disproportionately in single parent households, family preservation studiously avoids any suggestion that there might be a connection between illegitimacy and family pathologies. Rather, the role of family preservation, according to the Clark Foundation, is to counsel the abusing or neglectful single mother "to the point of self-acceptance, so that she understands that she and her children are a valid family, too." A family preservation worker in the Bill Moyers special decries the "labelling process" that puts a family with two working parents who can't afford day care in a "different category" from a single mother on crack who is neglecting her children. "If we're a country that believes in the integrity of families," the worker intones, "we should keep all families together."

Family preservation's upbeat rhetoric of "respect for families" and for "cultural diversity" also masks how deeply troubled those "families" really are. Such denial is pervasive throughout the child welfare system. Mothers with fourteen to sixteen confirmed neglect reports are still sent to "parenting" and "anger" classes. After duly collecting their completion forms, they are reported again in six weeks.

Family preservation translates deficits of values into deficits of resources—the maltreating parent does not necessarily lack the values to raise a child responsibly, it is argued, but simply the resources to do so. Once so defined, the problem is ripe for intervention from the massive social service bureaucracy.

The charge that social workers "mistake poverty for neglect" is central to the shift from a focus on values to one on resources. In a typical antidote to such "insensitivity," Illinois has signed a consent decree agreeing not to remove a child from a family that is failing to provide for the child's subsistence needs unless the state itself makes "reasonable efforts" to meet those needs. "Reasonable efforts" is defined as providing temporary shelter, assistance in locating and securing housing, cash, in-kind

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services including food and clothing, child care, emergency caretakers, and advocacy with public agencies. Left out of the analysis is why the family is *not* providing for the child—might not drugs or sheer irresponsibility play a more important role than poverty?

That question is now taboo. The failure to ask it leads to ever more ludicrous government behavior. A deranged man in Chicago tore apart his entire home, stripping it of plumbing and electrical pipes. The children were living in the basement and using a kitchen pot for a toilet. The Illinois Department of Children and Family Services investigated the case for reported child neglect and decided that the family's problem was inadequate housing. The department paid for the family to move into a new apartment and bought them new furniture.

Family preservation claims to stand for family autonomy against unwarranted state intrusion. Yet its nonjudgmental approach to family formation leads to just the opposite result: a growing number of "families" who can survive only with constant state support. Some family preservation advocates cheerfully contemplate a nearly complete shifting of long-term responsibility for child care from certain families to the state. Brenda McGowan, professor of social work at Columbia University, acknowledges the discrepancy between family preservation's assumptions and the reality of underclass families:

> What is often ignored in the rush to institutionalize these services is the fact that they are based on a crisis intervention model, which assumes the capacity for independent functioning once balance is restored. Unfortunately, not all parents have the emotional, cognitive, social or economic resources necessary to enable them to function independently on a consistent basis.

But McGowan responds by extending further the flawed premise that therapy and state support can solve all problems: "[These families] can maintain loving homes and meet their children's basic development needs only if they are provided a range of supports on a sustained basis, perhaps until their children are grown."

But a "family" that from day one stands no chance at self-sufficiency probably should not have been conceived in the first place. There is no evidence that social services can compensate for the lack of personal responsibility that is fueling America's

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epidemic of illegitimacy. Teen-age pregnancy has more than doubled in the last fifteen years, to 1.2 million births annually; in the near future one in three babies will be born to a single mother. As Peter Rossi has argued: "Once the mother has the child, the fundamental irresponsibility has already been committed. There is an awesome amount of neglect: that is the main thing. The notion that you can deal with it by therapy and cash is ludicrous."

A percentage of troubled families do just need a helping hand to get through a crisis. For them, short-term intensive services may indeed be appropriate. But for the children of parents who wholly lack the emotional resources to raise a family, the foster care system should be improved. Foster parents could be better trained. Group foster homes could be saved by giving back to their directors the authority to enforce discipline and responsibility, tools long since taken away by child welfare advocates. And both the letter and the spirit of adoption policy should be changed to encourage more adoptions, no matter what the race of the child.

In the long run, however, as long as we keep circling around the issue of values and personal responsibility, we will continue devising costly solutions to family problems that are doomed to fail. The child welfare system is not working because it is the wrong answer to the problems of illegitimacy and social dysfunction.

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Who are the working poor?

BRADLEY SCHILLER

THE CLINTON administration has decried the plight of the "working poor" and vowed to create a "worker security" program that will keep every working American out of poverty. As the administration views the job market, it sees 6 million Americans toiling away at jobs yet unable to lift their families out of poverty. To end this perceived overlap between work and poverty, the Clinton administration has developed a broad range of worker security proposals, including a substantial increase in the minimum wage, more education and job-training services, a sizable increase in the Earned Income Tax Credit (EITC), mandates for more employer-paid fringe benefits, and the continuation of welfare benefits to recipients who become employed.

These are controversial, and potentially very expensive extensions of the welfare state. Before embracing them, we should be fairly certain of how widespread the "working poor" problem is. If millions of Americans are stuck in poverty despite extensive work effort, something is surely wrong with the way the labor market functions, and additional government intervention may well be needed. This is the perception advanced by the Clinton administration and regarded as empirical fact by most liberals in and out of academia. What if, however, this perception of the

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"working poor" is mistaken? What if far fewer Americans actually conform to this perception of working poverty? In that case, the conceptual basis for many worker security initiatives disintegrates and we must look beyond inferred market failure for explanations of persistent poverty.

In principle, any doubts about the actual number of working poor in America could be resolved simply by counting them. As is so often the case, however, the available data sources do not completely respond to the needs of the policy analysis. The resulting information gaps have spawned a lot of creativity in statistical portraits of the working poor. In the process, the perception of working poverty has greatly outgrown the reality.

Census classifications

The perception problem begins with the way the U.S. Census Bureau catalogues work experience and poverty. The annual March Census survey of 60,000 households is the ultimate source of all official data on poverty in America. In that survey, the Census Bureau ascertains (1) the size and composition of households, (2) the total income of households in the previous year, and (3) the extent of work experience of household members. The responses to (1) and (2) determine whether a family will be categorized as "poor." The response to (3) determines whether a household will be categorized as "working poor."

Some of the shortcomings in the Census enumeration of income are well known. The Census counts only cash income, and excludes from its computations all in-kind transfers and capital gains. By excluding food stamps, Medicaid, housing subsidies, and capital gains from "total" income, the Census tends to overestimate the number of poor people and exaggerate their impoverishment. Because in-kind transfers have increased much more quickly than cash transfers since 1960, official poverty counts systematically and increasingly understate whatever success the war on poverty has had.

The Census Bureau itself acknowledges that the neglect of in-kind transfers may result in an overestimate of poverty on the order of as many as 7 million persons (nearly one-fifth of the official poverty count in 1993). To the extent that the "working poor" are closest to the poverty threshold, they are the ones most likely to be overcounted.

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A second problem with the official poverty count is the designation of family size. The so-called "poverty line" is actually a series of poverty thresholds based on family size. In 1993, the poverty threshold for a single individual living alone was approximately $7,300, and just under $15,000 for a family of four. In practice, however, the Census compares reported income in the *previous* year to family composition in the *present* year (at the time of the March survey). As a result, growing families (with children less than one year old) may erroneously be counted as poor.

Other, less known deficiencies in the Census count relate to the depiction of work experience. The first deficiency concerns the source of the data used to identify the working poor. The Census interviewer collects all information about a family's income and employment from a single individual. This "responsible household member" answers all question for him- or herself as well as for all other household members. About half of all the Census data comes from such "proxy responses." Such responses are likely to contain a high degree of measurement error, especially on such critical topics as work experience and income from various sources. A proxy respondent is less likely to recall when or how often another household member worked a short week or was temporarily out of the labor force.

The problem of proxy responses is compounded by the retrospective nature of the Census inquiry. The March interview attempts to ascertain the household's work experience and income during the preceding calendar year. Hence, the respondent must be able to recall the experiences of all household members for as far back as fifteen months. Comparisons of annual Census data to quarterly surveys (the Survey of Income and Program Participation) reveal that the Census responses significantly overstate actual work experience, particularly for low-income and minority households.

"Year-round, full-time" workers

The measurement of work experience is critical to assessments of the working poor. Of special importance is the categorization of persons known as "year-round, full-time" (YR-FT) workers. Such workers are widely regarded as the quintessential candidates for the "working poor" rubric. Census procedures,

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however, may seriously distort perceptions of the number of such workers. In addition to the errors associated with proxy respondents and year-long recall, the Census method for identifying "full-time" work introduces further measurement error. The Census Bureau asks whether an individual "usually" worked at least thirty-five hours per week when employed. If so, the individual is counted as a "full-time" worker. Yet, someone need only be employed thirty-five hours or more per week for a *majority* of work weeks to be classified as a "full-time" worker. This implies that individuals who often work less than full-time will nevertheless be counted as "full-time" workers. Previous studies of Census data reveal that roughly one in ten poor persons classified as "full-time, year-round workers" actually worked part-time during at least six weeks of the year. Over half of these misclassified "full-time" workers were employed on a part-time schedule for at least eleven weeks of the year.

This overcount of YR-FT workers not only exaggerates the number of working poor persons, but also tends to understate actual wages. As incredible as it may seem, the Census does not ask what hourly wage rate workers were paid. Instead, hourly wages for the prior year are imputed by dividing annual earnings by the estimated ("usual") hours employed. If hours of employment for YR-FT workers are overestimated, then imputed hourly wage rates are consistently underestimated. This problem is endemic to virtually all portraits of low-wage workers.

The official picture

Let us ignore for a moment this litany of measurement problems and examine the official portrait of the working poor. There are two distinct groups to consider: individuals living alone and persons living in families (related by blood or marriage).

Although individuals living alone comprise only 21 percent of the poverty population, their reported work experience illustrates some of the measurement problems discussed above. The poverty threshold for a single individual was roughly $7,100 in 1992. According to official Census data, nearly half a million individuals had incomes below this threshold despite working year-round, full-time. Yet, true YR-FT experience would entail at least 1,750 hours of employment (fifty weeks of thirty-five hours each) and more commonly 2,080 hours (fifty-two weeks of

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forty hours each). Accordingly, *a job paying just the federal minimum wage of $4.25 an hour would be sufficient to keep any single individual working YR-FT out of poverty.* Yet, the Census says nearly 500,000 such individuals were among the working poor. One must conclude that either the Census depiction of work experience is exaggerated or that these individuals are being paid wages far below the federal minimum.

Table 1.

Work experience of adults living in families

	Poor	Nonpoor
A. No. of adults ages 16-64	13,563,000	121,859,000
Didn't work at all	54%	18%
Worked year-round, full-time	12%	52%
Worked less than year-round, full-time	34%	30%
B. No. of householders in families with children	6,095,000	28,672,000
Didn't work at all	44%	5%
Worked year-round, full-time	17%	77%
Worked less than year-round, full-time	38%	18%
C. No. of married fathers in families with children	2,091,000	23,244,000
Didn't work at all	25%	3%
Worked year-round, full-time	32%	82%
Worked less than year-round, full-time	43%	15%

Source: U.S. Bureau of the Census, *Poverty in the United States: 1992*, Table 14.

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Most of the policy concern about the working poor focuses on families rather than unrelated individuals. The assumption is that anyone who works year-round, full-time should be able to keep his or her family out of poverty. Table 1 therefore focuses on the officially reported work experience of adults (ages 16-64) living in families. The administration's attention is riveted on the first panel of the table, which indicates that over 6 million adults who worked in 1992 were nevertheless poor. Yet even the first panel reveals that nonwork is more common (54 percent) than work (46 percent) among poor adults. The contrast with the nonpoor population is dramatic: Whereas only 18 percent of nonpoor persons remained jobless for an entire year, over half (54 percent) of poor persons remained nonemployed. One out of two nonpoor adults work year-round, full-time, but only one out of eight poor persons are reported to be that active in the labor market. In other words, year-round, full-time work is the exception for poor adults, but commonplace among nonpoor adults.

Most of the concern about the working poor is focused on the plight of families headed by working fathers or mothers. Panel B of the table addresses this concern by focusing on the "householder" (sometimes referred to in politically incorrect terms as "head of the household") in families with children. Nearly one out of two poor families are headed by a nonworker, as compared to only one out of twenty among nonpoor families. Nearly four out of five nonpoor householders work full-time, as compared to less than one out of five poor householders. Here again, the facts are clear: the working poor are a small minority, even among adults who head families with children.

Part of the difference in work experience between poor and nonpoor householders is due to the greater prevalence of single parenthood in the poverty population. A single parent who must assume all child-care and household responsibilities has less opportunity to work full-time than a householder with a spouse. Whether single parents should work full-time also continues to be an issue of intense debate. The last panel of Table 1 sidesteps these issues by narrowing the focus to fathers in married-couple families with children. This is the group that most people would expect to see fully committed to the labor force so as to protect the economic well-being of their families. This isn't the case, however, in the poverty population. One out of four fathers

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heading poor families failed to work at all in 1992. Only one out of three poverty-family fathers worked full-time throughout the year. These experiences contrast sharply with those of non-poor fathers, 82 percent of whom work year-round, full-time and only 3 percent of whom remain idle for an entire year.

Reasons for not working

What Table 1 unmistakably documents is that not working is the proximate cause of most poverty; the "working poor" are relatively few and far between, even by official poverty measures that overcount both poverty and work effort. The labor market might still be held accountable for poverty, however, if it failed to provide the jobs that poor people seek. Although the economy expanded steadily in 1992, the national unemployment rate remained fairly high (averaging over 6.5 percent for the year). Individuals with few skills or experience would have had the most difficulty finding and keeping good jobs.

The poor themselves, however, do not blame the economy for their lack of work activity. Only one out of eight poor adults cite a lack of available jobs as the principal reason for their nonwork. In view of the evident bias in self-reported explanations for not working, this is a remarkably small proportion. As Panel A in Table 2 shows, nonworking adults in poor families are much more likely to cite home responsibilities, school attendance, or illness for their prolonged absence from the labor market.

Even fathers who head poor families are more likely to blame illness rather than a shortage of jobs for their lack of work. As Panel C of Table 2 shows, "school or other" is also cited more frequently (36 percent) than job shortages (26 percent) among poor fathers who work only part of the year.

How much labor market failure?

The principal policy implication associated with the phenomenon of the working poor is that the labor market has failed. It has failed to provide jobs to all who seek them or to provide a "living wage" to those who work full-time.

By their own testimony, however, the poor suggest that labor-market failures explain relatively little poverty. At most, one could attribute to labor market failure the plight of: (a) those

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persons who work full-time, year-round yet remain poor, and (b) those persons who work less than full-time or year-round because jobs aren't available.

According to Table 1, there are no more than 1 million YR-FT workers heading poor families. Further computations of the data in Table 2 suggest that there are no more than 630,000 additional householders whose poverty might be explained by a lack of job vacancies. Accordingly, *labor market failure can be held directly responsible for no more than 20 percent of all poverty among families with children.*

Table 2.

Work experience of poor adults

Reason for not working	Worked none	Worked some
A. All adults		
Ill or disabled	18%	13%
Retired	3%	1%
Home or family reasons	44%	35%
School or other	23%	39%
Could not find work	13%	12%
B. Householders in families with children		
Ill or disabled	20%	18%
Retired	1%	—
Home or family reasons	55%	46%
School or other	10%	24%
Could not find work	13%	12%
C. Fathers in families with children		
Ill or disabled	48%	29%
Retired	2%	1%
Home or family reasons	4%	9%
School or other	14%	36%
Could not find work	32%	26%

Source: U.S. Bureau of the Census, *Poverty in the United States: 1992*, Table 15.

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Self-employment

Even this more limited indictment of labor market mechanisms overstates potential market failure. What we counted above was a maximum of 1 million YR-FT working poor householders. A good many liberals are quick to suggest that these individuals are the victims of an unfair wage system. But these workers don't easily fit the Marxist image of an exploited proletariat. Many of the presumed working poor are actually self-employed. Hence, their income status is more a reflection of business performance than the outcome of a bad wage contract. Many others work in the public sector and are likewise not directly subject to private-sector wage determination.

Table 3.

Nature of employment for the YR-FT working poor (in thousands)

Nature of employment	All working poor	Working poor householders in families with children
Private wage & salary	1,362 (63%)	730 (69%)
Government	179 (8%)	92 (9%)
Self-employment	588 (27%)	239 (22%)
Without pay	24 (1%)	—
Total	2,152	1,061

Source: Census Bureau tabulations prepared for author.

Table 3 provides a closer look at the kind of work the YR-FT working poor do. As noted earlier, the Census counts roughly 2 million YR-FT poor workers, of whom 1 million head families with children. What Table 3 shows is that over one-fourth of these workers are actually self-employed. Further examination of the data reveals that over 250,000 poor families actually report

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negative incomes from a nonfarm business, farming, or rental property. While some of these reports of negative income are probably the product of clever tax accounting, few are likely the outcome of an exploitative wage contract.

Another noteworthy fact revealed by Table 3 is the significant presence of the public sector. Nearly 180,000 of the poor YR-FT workers report being employed by federal (1.8 percent), state (1.8 percent) or local (4.7 percent) governments. Whatever the nature of such employment, surely the resulting poverty cannot be attributed to a direct failure of private-sector wage determination.

Policy perspectives

These explorations of self-reported employment and income are not intended to deny the coexistence of work and poverty, much less a broader swath of deprivation in an otherwise affluent America. One cannot avoid the conclusion, however, that the Clinton administration's views on the dimensions of the "working poor" problem are seriously distorted. It may be true that over 60 percent of the poverty population lives in families where at least one person has some work experience during the year. The amount of work experience is often minimal, however, and the self-reported reasons for not working are typically personal rather than market-based. Not working is the proximate cause of most poverty. What the country needs to cure poverty is not more worker security programs, but more workers.

The only exception to this conclusion might be those individuals who work year-round but still can't lift their families out of poverty. These prototypical "working poor" householders are an appropriate object of policy concern. There are, however, far fewer of these working poor householders than commonly assumed. No more than 730,000 poor family heads report that they are employed YR-FT in private wage and salary employment. *This represents less than 12 percent of all poor families with children*. This proportion of working poor families would shrink further if more complete information on actual hours of employment and other income transfers were taken into account.

The small core of working poverty that actually exists is worthy of policy concern. The problem is not so extensive, however, as to justify sweeping new worker security initiatives or multi-billion-dollar increases in programs already targeted on this group

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(e.g., the Earned Income Tax Credit). The most serious challenge for poverty policy is to increase the work activity of the poor, not to restructure the mechanisms of private-sector wage and employment determination. If the administration fails to focus on that goal, it risks not only failing to reduce poverty, but also increasing jobless poverty by imposing more tax and regulatory burdens on private employers.

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The quiet health care revolution

REGINA HERZLINGER

WHILE THE HEALTH care debate rages on, the American public has already benefited from a massive, albeit unheralded, entrepreneurial revolution that has substantially increased the health care system's efficiency, responsiveness, and prowess. Unfortunately, a number of reform proposals threaten to trample on the innovations that produced this revolution.

For many years, the American health care system resembled an overweight athlete whose powerful physique was sustained by excessive amounts of food. The industry was superb, but its costs were extravagant—exceeding 14 percent of GNP in 1992 and usually growing at a rate 50 percent higher than the consumer price index (CPI).

Entrepreneurs recognized that the massive costs were partially caused by inefficiency: excessive hospital capacity, unnecessary duplication, clumsy organization, and anachronistic technology. They realized that costs could be reduced by creating new, efficient means of providing health care.

Their new ventures were many and varied, and some were more successful than others. But, taken as a whole, they appear to have succeeded. Early indications of newly constrained health

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care costs abound. For example, the growth of the medical care component of the CPI slowed between March 1992 and March 1993, reversing years of relentless increases, and the gap between the medical care component of the CPI and the overall CPI narrowed significantly. Although the medical care component of the CPI is a flawed measure of medical care inflation, the reversal is nonetheless striking, and is supported by the experience of the companies regularly surveyed by Foster Higgins, which have experienced declining rates of cost increases since 1987. Also consistent is the downward trend in increased health care costs registered for the past two years by health insurance companies surveyed by Noble Lowndes.

How did entrepreneurs help drive down costs? Entrepreneurial innovation has been most evident in the new organizations that provide health care services. New technologies, traditionally viewed as major cost inflators, also played a surprisingly large role in reducing costs. Finally, entrepreneurial responses to consumers' increasing health consciousness have also helped to lower health costs. Let me explain in more detail.

Building a better hospital

By 1985, the hospitals that accounted for 40 percent of national health care expenditures stood about one-third empty. With the development of new technologies, many surgeries could be performed with minimal trauma to the body. The heart surgeries that once required sawing open the chest bones could now be performed through small openings into which a catheter is inserted. Similarly, knee surgeries and the removal of gall bladders and hernias are now commonly performed through small holes rather than major incisions. As a result, patients spent less time in the hospital, if they went at all. Thirty-seven percent of surgeries were performed outside the hospital by 1985, and over half by 1989. Yet while occupancy plummeted by 15 percent from 1975 to 1985, costs grew from 1980 to 1985 at rates more than twice that of the CPI. Meanwhile, the number of beds in the system remained at about 1 million, and the number of employees actually increased from 1981 to 1989 by 260,000.

There were also reasons to question the general hospitals' quality of care. Studies indicate that the quality of a surgical procedure usually increases with the number of procedures per-

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formed. But many hospitals offered such a broad line of procedures, and had so few patients, that they could not attain a high level of quality.

For entrepreneurs, hospitals are large, tempting targets. Some entrepreneurs have responded by creating "focused factories" that provide all the services required for treating a medical problem in one place, usually outside the confines of a general hospital. Focused factories have been created to treat weakened knees and shoulders, blocked-up heart vessels, aching backs, and many other problems. Entrepreneurs reasoned that the benefits from doing only one thing would enable doctors and nurses to do it at higher quality and lower cost. For example, the famed Shouldice Hospital in Toronto, Canada, which treats only inguinal hernias, does so with lower costs than a general purpose hospital performing the same procedure. Yet these cost reductions have not reduced patient satisfaction. To the contrary, the Shouldice is so beloved by its patients that they throng Shouldice's annual "alumni" reunion.

These "focused factories" reduce costs in three ways. First, by volume. By treating many patients, focused factories spread fixed costs over a large base. Second, these new organizations frequently re-engineer the process of providing health care. As an example, the Shouldice Hospital relies on the patient to an unusual extent: the patient refers himself to the hospital (that is, the patient typically hears of Shouldice by word-of-mouth, rather than a physician's referral), locates his hernia on a diagram of the body, and prepares the body area that is to be operated on. Also recent patients help orient new ones. And Shouldice hires surgeons who value consistency in doing one thing well, as opposed to those who are attracted to heroic, innovative surgery. Meanwhile, the facility's physical design encourages newly operated-upon patients to walk soon after surgery. And third, because Shouldice's workers focus on one procedure, the facility, like all focused factories, benefits from the cost reductions created by an experience curve. The effect of these changes is often profound—for example, some experts estimate that cataract centers that perform only cataract operations will eventually eliminate up to 40 percent of the 16,000 American ophthalmologists.

Other entrepreneurs responded to the opportunity represented by high hospital costs by creating alternative, cheaper sites for

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care. For example, the revenues from companies that treat patients in the home rather than in the hospital grew from $1.3 billion in 1980 to $8.5 billion in 1991. New free-standing and hospital-based ambulatory surgery centers performed 13 million surgeries in 1990, or over 50 percent of all surgeries. Compare that with 1983, when outpatient surgery accounted for only 25 percent of all surgeries.

Some traditional providers argue that these cost reductions are illusory. They complain that the new centers leave them with the patients who are the most difficult and expensive to treat. But even if the complaint is correct, it misses the point. General hospitals cannot perform a normal hernia with the same efficiency as the Shouldice any more than, say, a general purpose neighborhood restaurant can provide a hamburger as efficiently as McDonald's. Because of new ways of providing health care, hospitals all over the country are shrinking dramatically in size. A spokesman for the American Hospital Association has predicted that 20 to 25 percent of hospital capacity will eventually be cut.

Entrepreneurs have employed other cost-reducing strategies as well. For example, the entrepreneurs who founded Medco Containment Services reasoned that they could reduce the costs of distributing pharmaceuticals by sending them directly to patients through the mail. Medco's strategy eliminates the need for the costly infrastructure of a local pharmacy. In its 1990 annual report, the company claimed that for continually used medicines, it can sell for 25 percent less than pharmacies. Similarly, entrepreneurial eyewear companies have sought to reduce costs with greater focus and high volume. To attract volume, they have located in shopping malls and run aggressive marketing campaigns. To increase focus, most have concentrated their services on correcting vision, rather than treating eye disease. These focused factories have not only substantially reduced the cost of eyewear, but also increased the convenience of shopping for glasses.

The role of integration

Other entrepreneurs have reduced expenses through the horizontal integration of ventures that provide identical services in geographically separate sites. These entrepreneurs reasoned that

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efficiencies could be created by refining the service process and replicating it in many sites. Many businesses are organized in this way, such as hotel, restaurant, and supermarket chains. These businesses spread the costs of developing world-class operating systems over their many sites. For example, the reservation systems of hotels, the tight inventory systems of supermarkets, and the efficient operating systems of fast-food restaurants are all developed in a central unit and then implemented in thousands of other locations. The economies achieved by such horizontally integrated businesses can be substantial. While the medical care portion of the CPI rose by 7.4 percent annually in the period from 1985 to 1988, for example, the cost of food to be eaten at home rose by only 3.5 percent and food eaten out by 3.9 percent (lunch) and 4.2 percent (dinner). The food industry is similar to the health care industry because food is provided in service organizations, such as restaurants. Yet food costs, unlike health care costs, were contained. Why? Because food was increasingly distributed through newly efficient, horizontally integrated supermarkets, chain restaurants, and farms.

Entrepreneurs thought they could attain these efficiencies through horizontal integration of the thousands of stand-alone units of hospitals, nursing homes, and other health care providers. For instance, a world-class computer system can serve many more patients in a multi-facility hospital chain than in one stand-alone hospital. Furthermore, hospitals are bound to learn more cost-reducing lessons from each other in many hospitals combined than in one alone. Many hospitals, nursing homes, and other provider chains—both for-profit and not-for-profit—were formed on this reasoning, including the Hospital Corporation of America and the Mediplex nursing home chain.

Does horizontal integration work in health care? The evidence is not yet clear, but some horizontally integrated health care providers already boast lower costs. For example, the Columbia HCA Healthcare Corporation chain claimed reduced expenses per patient day after it acquired three hospitals. Its purchasing-power muscle enabled it to reduce $220 million of supply contracts by $60 million annually. Columbia's strategy also helps to reduce costs: it operates primarily in areas which have so much excess capacity that the company can purchase a number of hospitals and close most of them without reducing com-

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petition. The company thus simultaneously reduces wildly excessive hospital capacity—thereby performing a valuable social function—and decreases costs. Similarly, many hospitals have used horizontally integrated purchasing groups to reduce the cost of supplies and equipment.

One can make an even stronger case for the cost-cutting effectiveness of vertical integration. A vertically integrated system provides the whole gamut of health care services, so that patients can rapidly receive whatever services they need, be it heavy-duty care, tertiary care, or lower-tech home care. In the absence of vertical integration, patients may be needlessly maintained in high-cost sites when lower cost ones would serve as well, either because high-cost providers lack the incentive to release patients or because the facilities' discharge coordinators cannot find lower-cost services.

The mighty Kaiser Permanente System, which enrolls some 5 million Californians in a vertically integrated health care system, has until recently charged the lowest prices in its market for health care. Kaiser owns its own hospitals, as well as many other service facilities. In effect, it hires its own doctors. As this country's largest and best established HMO, it provided the model that the Jackson Hole group, the fathers of "managed competition," sought to emulate. Indeed, many physicians groups and hospitals, buoyed by the example of Kaiser and the writings of the Jackson Hole group, have also merged.

But the jury is not yet in on vertical integration. Businesses in many other industries have been badly burned in attempts to integrate vertically, as have some health care providers. In 1990, by which time hospitals had been trying to manage other health care services for more than a decade, only 40 percent of such ventures were profitable for the more than half of hospitals that had implemented them. Even savvy Humana, a horizontally integrated chain of some eighty hospitals widely admired for the excellence of its information systems, failed in its attempts to vertically integrate health insurance.

The allure of managed care

Managed care organizations take an active role in controlling their clients' health care costs, as opposed to simply paying whatever doctors and other providers charge. Typically, these compa-

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nies "manage" care by limiting their clients' choice of doctors, limiting how much these doctors will be paid, and restricting the volume and types of procedures that are covered.

Some contend that the reduced cost increases in health care are entirely attributable to managed care. True, some managed care policies are less expensive than traditional health insurance policies. But their lower cost does not necessarily imply that managed care ventures have reduced the *total* costs of the health care industry. Managed care insurance policies may cost less simply because they attract healthier people. After all, sick people who are attached to their specialist physicians are not very likely to opt for policies that limit their freedom to choose providers or procedures. Further, managed care health insurance policies are more likely to attract young, healthy people with children because, unlike many traditional insurance policies, most of them cover the full cost of routine visits to the pediatrician. Moreover, if doctors compensate for the lower pay under managed care by charging other insurers more, total costs will not decline. Also, the decision rules used by managed care organizations to limit the volume and type of care are not all demonstrably cost-effective, because they are of relatively recent origin and supported by only a few years of observation. Dr. Jerry Gardner, of St. Louis University's Department of Internal Medicine, noted in the trade magazine *Business Insurance* that: "Our capability to assess medical outcomes today is pretty crude." Medicine remains more an art than a science. Finally, the managed care HMOs that are generally considered to be most effective in controlling health care costs enroll less than 16 percent of the population and are concentrated in only a few states. (Ironically, they are most prevalent in Massachusetts, the state with the highest health care costs in the country.) They are thus unlikely to have had a significant impact on total health care costs.

In sum, it is possible that managed care organizations have not lowered total health care costs, but merely shifted them elsewhere in the health care system.

Nevertheless, in my opinion, the so-called "capitated," "staff," and "group" models of HMO genuinely lower health care costs. But they do so more by denying care to patients than through entrepreneurial innovation. Although the care they deny is likely to be medically unnecessary, such as an extra day in a hospital

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for a weary new mother, the denial imposes a hardship on the patient. Entrepreneurial innovations, in contrast, lower costs by creating new ways of providing health care, rather than by saying "no."

Entrepreneurial technology ventures

Although many argue that medical technology is the real reason that medical costs are rising so in the U.S., the charge is not clearly merited. After all, other large countries whose centrally managed health care systems use far less medical technology than the United States have similar rates of medical inflation.

Contrary to the conventional wisdom, many technological innovations reduce costs. For example, the development of slender light sources, miniature lenses and surgical instruments, and advanced imaging technologies permits minimally invasive diagnoses and surgeries. These greatly reduce the length of hospitalization, frequently eliminating it altogether. And telecommunications innovations, which enable accurate images to be transmitted from one site to another, will substantially reduce the number of radiologists and pathologists needed to interpret these images. Even seemingly mundane technological innovations reduce costs. For example, the Health Research and Educational Trust of New Jersey reported in 1984 that the use of staples rather than sutures on surgical patients reduced hospital costs by as much as $1,700 per patient, and reduced hospital stays by up to 7.5 days.

And, of course, pharmaceutical innovations have also reduced health care costs. Vaccines have eliminated many diseases and the huge health care expenses that came with them (polio is a prime example). Ulcer drugs known as H_2 antagonists have reduced ulcer operations by 90 percent, while enhancing sufferers' productivity. Merck's Mevacor reduced hospitalization to treat high cholesterol by 30 percent.

This is not to say that medical technology does not play a role in increasing costs. Some innovations are very costly, particularly the miraculous biotechnology products. And medical technology plays a role in explaining why American health care costs are higher than those of other developed countries. Medical technology is available to excess. Even small hospitals load up, so that they can lure physicians into referring patients. They use tech-

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nology as a marketing tool in their desperate struggle to increase their dwindling occupancy by stealing patients from rival hospitals. But technology also serves to diminish the rate of increased costs. After all, the technological innovations in minimally invasive surgery and in pharmaceuticals played a major role in emptying these hospitals in the first place.

Technologies are developed in the lab—in universities, medical centers, and private laboratories. It is entrepreneurs who bring them onto the market, making them available to the general public. Thus, Leon Hirsch's commercialization of the Hungarian stapler that is used in surgery in lieu of manual sutures led to the creation of his company, United States Surgical Corporation. This company also introduced, in early 1990, a device that revolutionized gall bladder surgery with technology that enabled the inflamed gall bladder to be removed through a small hole in the body, rather than through a large traumatic incision. Patients are sent home in a day instead of seven days, and back to work in less than a week, instead of four to six weeks. According to the *Wall Street Journal*, the savings from this change are estimated to exceed $1 billion a year.

Entrepreneurs and the fitness craze

Americans are commonly depicted as slothful individuals—Joe Six Packs indifferent to their health. The reality is quite different. Most people are both careful and knowledgeable about their health. Americans increasingly exercise, watch their weight, limit their alcohol intake, and perform diagnostic tests, such as breast self-examinations. To take one example, a recent *Journal of the American Medical Association* study documented a steady reduction in cholesterol levels from 1976 to 1991 among U.S. adults.

Furthermore, health consciousness cuts across socio-economic lines. The decline in cholesterol levels occurred across all age and sex groups (low-calorie, low-fat foods are now as ubiquitous in fast-food outlets as in the fanciest restaurants). Health information fills many columns in both the elite *New York Times* and the tabloid *New York Daily News*. Small wonder that *Prevention*, a health information magazine, sells 3 million copies per issue.

Health consciousness helps to reduce health care costs in two ways. First, healthier people require less medical care. Second, health conscious people are more willing to perform medical

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services for themselves that would otherwise be provided by well-paid professionals. For example, hospital patients increasingly administer pain killers themselves, rather than waiting for a nurse to dispense them. Entrepreneurially innovated, patient-controlled analgesia devices enable them to do so. These devices do more than reduce nurses' work loads; studies have demonstrated that such patients use less painkiller and also obtain more effective relief.

Similarly, over a four-year period, participants in an arthritis pain self-management program developed by an innovative professor of nursing reduced their per-patient treatment cost by $648 (for those with rheumatoid arthritis), and by $189 (for those with osteoarthritis). If these amounts seem small, consider that over 30 million Americans suffer from arthritis.

And for health conscious consumers, a flood of information is provided by new firms. For example, the data provided by the many entrepreneurial health information companies now enables some state governments to release public ratings of doctors and hospitals. The Pennsylvania Health Care Cost Containment Council's 1990 data showed a wide variation in hospital and physician quality for certain procedures. For coronary artery bypass surgery, the Council named the four hospitals with fewer deaths than expected, the seven hospitals with more deaths, and the hospitals whose death rates were as expected. For all the hospitals, it also listed average charges. The hospital with the lowest charge, $21,063, was among the four with the lowest death rates. The hospital with the highest charge, $83,851, was among those whose death rates exceeded expectations.

What will reform do?

Above, I have discussed major changes in the health care system that are simultaneously lowering costs and increasing quality. If the government does not interfere, these trends are likely to continue. But what if the government does interfere? In particular, how might some of the current proposals for reform affect the entrepreneurial innovations I have discussed?

Current health care initiatives focus on providing broader access to health care. Because "access"—that is, insuring the 35 or 60 million Americans who lack year-round health insurance—carries a price tag somewhere between $60 and $150 billion a

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year, considerable effort has been expended to create mechanisms that would limit increases in cost. Three approaches—one payer, managed competition, and consumer choice—are particularly popular. I argue that the first two will come only at substantial cost to the entrepreneurial revolution, while the third will help that revolution to continue.

Some of the reform proposals assume that under the present system, the many buyers of health care—employers and government organizations—are too small, and cannot sufficiently flex their purchasing muscles so as to obtain lower-cost health care.

These proposals would reduce the number of health care purchasers. In fact, proponents of one payer reform would reduce the number of buyers to one—the government. These reformers point out that the many other countries which employ such a system spend a much smaller share of GDP on health care. Other reformers, fearing the indifference to consumer needs that generally characterizes government-operated systems, propose to reduce the quantity of buyers to a number greater than one, but far less than the thousands that now purchase health care. This is what is known as "managed competition." The small number of large buyers, it is reasoned, would have the purchasing power to force efficiency, and also, because they would compete with each other, would be responsive to consumers. In other words, managed care would combine the benefits of a competitive market with the cost-reducing prowess of a few large buyers. Both reform proposals typically require a centrally prescribed package of benefits that would be paid for by insurers. The advocates of managed competition believe that permitting health insurers to vary their benefit packages would "confuse" the buyer and invalidate price comparisons.

Other reformers argue that cost escalation is so excessive because there are too *few* purchasers. In other words, they contend that the thousands of employers and governments that currently purchase health care cannot possibly replicate the wisdom and energy of millions of individuals acting on their own behalf. They point to a well-known RAND Corporation experiment which showed that when middle-class consumers paid for part of their health care out of their own pockets, costs were substantially reduced and health status maintained. These "consumer choice" proposals are favored by several think tanks, and also by me.

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The proponents of health care reform sometimes muddy the debate by suggesting that their favored option, be it managed competition or one payer or something else, is necessary for giving everyone access to health care. That is incorrect. Access does not require managed competition or any other reform. It requires only that the unemployed, self-employed, poor, and sick be provided with the money to obtain the health care services they need. Our society must decide whether it wants to spend the considerable sums required to achieve this important goal. But that is quite a different issue from the public policy decision of *how* to control the costs of the health care system.

Let's take a closer look and see how these various proposals might affect the entrepreneurs who are currently transforming the health care system.

Innovation under a one payer system

Under the one payer system, the government specifies the amount it will pay doctors and other health care providers. Health care providers that spend more than the sum allocated to them by the government or who provide benefits other than those specified are out of luck. In this way, a one payer system puts a very effective lid on health care costs.

But a one payer system is not entrepreneur-friendly. For one, it is implemented through payments to existing providers—a certain percentage of the total goes to hospitals, a certain percentage goes to physicians, and so on. All of the providers lack incentives to lower their costs. Their sole reward for doing so is a reduced allocation from the government in the next period. As a result, entrepreneurs with new ideas must convince the government to sponsor them, because existing providers lack the incentive to do so.

Many entrepreneurs are not excited by the prospect of a market with only one customer. Although the market would be enormously large—the entire United States—it would also be enormously risky. If entrepreneurs failed to sell an idea to the only possible customer, they could not go elsewhere. Furthermore, because the customer would be a government organization, there would be the added risk of the process becoming politicized. Also, the government might easily refuse to pay for service on a timely basis.

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One payer would also discourage innovation in other ways. If fixed payments were provided for particular procedures, considerable energy would be spent defining the patient's characteristics in a manner that would provide the most profitable payment. "Gaming the system" would sap energies that could be better devoted to innovation.

The bottom line is that there have been few health care innovations, technical or otherwise, in countries with one payer mechanisms. And some of these innovations, such as surgical sutures and non-invasive diagnostic techniques, languished in their home countries until they were commercialized in the innovation-friendly U.S. health care system. Among other problems, the absence of these innovations leads to more people being admitted to the hospital and remaining there for longer periods than is now the case in the U.S.

At the same time, global budgeting could ease the path of entrepreneurs whose ventures would reverse destructive health habits. At present, it is in no one's interest to support such ventures. For example, an insurance company's program to encourage people to quit smoking might bring the company many costs but few direct benefits. After all, the insurer that paid for the program would not benefit from the lower health care costs incurred by those who stopped smoking but later changed health insurance companies.

With a one payer system, there would be only one insurer. No one could switch insurance companies. Thus, the insurer—the government—would have an incentive to lower costs through programs that would encourage people to modify life-threatening behavior. But unfortunately, governments are not noted for their willingness to invest in the future. Indeed, they appear much more ready to borrow from the future—to wit, our deficit—than to invest in it.

Innovation and managed competition

A system of managed competition would create a few large organizations to purchase health insurance. These large purchasers would have the clout to force suppliers to reduce their costs.

The needs of these large buyers could be met only by large suppliers. General Motors, after all, cannot buy batteries from a mom-and-pop battery manufacturer. Conversely, the fragmented

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suppliers would want to integrate so that they could negotiate more effectively with buyers. Noted an American Medical Association spokesperson: "Health plans now are able to speak for hundreds of thousands of people. Maybe professionals ought to be able to respond ... in a collective way." Managed competition would thus create large, vertically integrated health care organizations and large, powerful buyers who could wring excess costs out of the system. Or so the theory goes.

What would managed competition do to health entrepreneurs? Entrepreneurial ventures usually start small and grow larger if they are successful. But the large suppliers that would result from managed competition would not want to deal with small ventures. (Not surprisingly, very large companies are not usually noted for being innovative.) Furthermore, the small number of potential buyers would considerably increase the entrepreneur's risk of failure, for reasons similar to those discussed under one payer.

Under managed competition, the primary incentive for innovation would have to come from the vertically integrated health care providers that would be responsible for all aspects of patients' care. In theory, these organizations would be motivated to come up with new, lower-cost ways of providing health care services because they would receive a flat price for providing all of their clients' health care needs.

But a review of the behavior of large, vertically integrated firms suggests that they might employ a different competitive response. Industries with only a few large firms generally avoid price competition and compete on other bases, such as marketing and product differentiation. For example, American cigarette companies have historically tried to avoid price competition, preferring to compete through marketing by offering brands with different images, shapes, and flavors. Vertically integrated providers might act similarly, especially since price competition courts potential ruin as successive waves of price-cutting cut into profits. Because managed competition would also largely prohibit competition through product differentiation, the policy might yield "competition" solely through marketing, rather than through price reduction and innovative restructuring of the system. If so, it would yield virtually no benefits.

Concern about the destructive effects of competition among

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very large suppliers may be premature because little evidence suggests that vertical integration of health care services is even managerially feasible. To the contrary, considerable evidence suggests that it is not. For instance, Kaiser, the best model of managed care's efficacy, covers only 5 million people, not 250 million, and has lost considerable sums in attempts to replicate itself outside of California. Even Kaiser's success in California may be attributable to unique, nonreplicable circumstances—to its long history and the unusual group of providers and clients in that state—rather than to vertical integration. Other managed care organizations have had rough relationships with physicians, the cornerstone of a vertically integrated system. The respected CEO of the Harvard Community Health Plan, a well-established organization, was reportedly forced to resign because of physicians' dissatisfaction with his efforts to increase their productivity.

Humana, also, has failed in attempts to integrate its hospitals with a managed care insurance product. Physicians retaliated against Humana's attempts to regulate charges by sending their patients elsewhere. Furthermore, the morale of the hospital division's management faltered when it became a mere link in a vertically integrated chain instead of the star jewel of the company. Meanwhile, Humana's top management's energies were diverted away from the faltering hospital to its new health insurance division. Prophetically, Humana ultimately cleaved itself into two independent companies, one a hospital chain and the other a health insurance company, abandoning the vertical integration strategy.

Indeed, if vertical integration were such a sure-fire, cost-reducing strategy, then most American businesses would already be vertically integrated. But they are not. Indeed, many of the firms that attempted vertical integration in the past backed off from the strategy when they discovered that their knowledge of *a market* did not necessarily translate into effective knowledge of the separate *businesses* in the market. Time Inc., for example, sold its paper producing facility when it discovered that running a magazine empire required different skills from those needed to produce the paper on which magazines are printed.

Thus, the vertically integrated organizations that are central to managed competition are unlikely to succeed. But if they do,

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they may well squelch the entrepreneurial fervor currently transforming the health care system.

Encouraging technological innovation

Even in our current health care system, it is not easy to innovate. Health technology innovations are very expensive to develop, and must clear massive regulatory hurdles before coming to market.

The saga of Genentech illustrates the risks that technology entrepreneurs now face. Genentech developed a magic bullet blood clot solvent that was widely expected to be the biotechnology equivalent of a world champion—a billion dollar a year drug. But it encountered one unexpected defeat after another. First, the U.S. Food and Drug Administration (FDA) requested additional data before permitting the drug to be marketed; then Medicare granted only limited reimbursement for the drug; then research findings appeared to demonstrate that a lower-cost drug was equally effective; and finally cardiologists came to doubt the Genentech drug's efficacy. After hundreds of millions of dollars of investment, the drug's revenues in 1992 were a fifth of what the company had initially expected.

The pharmaceutical industry estimates that when all costs are included, the cost of bringing a new drug to market averages $250 million. Although this figure is widely disputed, it is generally thought to be of the right order of magnitude; i.e., bringing a new drug to market costs at least $100 million. Consider, for example, that years after bringing its clot solvent to market, Genentech spent another $55 million on clinical trials that it hoped would demonstrate the drug's cost-effectiveness.

These enormous financial risks are somewhat diminished by the fact that once a drug clears FDA hurdles, its purchase is likely to be reimbursed by at least some of the many payers of health care. But one payer and managed competition would make the risk much greater, as companies would face only one or a few potential customers. This business equivalent of putting all your eggs in one basket would surely reduce the huge capital investments required for medical technology innovation.

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Promoting health consciousness

Both one payer and managed competition would provide for "community rating"—a device intended to ensure that all of the people living in a certain community would pay the same price for health insurance, regardless of their age, gender, health habits, or current health status. Although the intent is admirable, the result would likely be perverse. Community rating would motivate health insurers to play games—to compete for healthy enrollees and discourage unhealthy ones—rather than to lower costs. It would also insulate those with reversible, destructive health habits, such as smoking, from the knowledge and burden of the enormous costs required to insure them.

"Experience rating," which bases health insurance prices on an individual's likely usage, reverses these motivations: It encourages insurers to reduce the health care costs of high-risk individuals with programs that help to reverse destructive health habits. Furthermore, experience rating provides individuals first-hand knowledge of how much their habits cost.

In sum, managed competition and one payer reforms might well succeed in squelching the innovations that are currently transforming the U.S. health care system. A dependence on large payers, large providers, and community rating, as well as government definition of reimbursable benefits, would provide arid soil for innovation to grow.

Innovation flourishes best under a market system, in which buyers and sellers can interact freely. The market works extraordinarily well even for complex products like personal computers and automobiles. Indeed, both have become better, available in far greater variety, and less expensive as a proportion of income, because of the free market. These results would not likely have been obtained with Washington limiting who could buy and sell these products, designing their characteristics, and, in the case of one payer, even specifying the budgets of the manufacturers.

A better alternative

Advocates of consumer choice argue that most cost problems in the health care system result from the fact that health care expenditures are paid for by somebody other than the user, usually an insurance company or a government organization. In-

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deed, 95 percent of hospital expenses are paid by someone other than the patient. This has led to an absence of consumer vigilance, which has allowed costs to explode. Consider a personal anecdote: when I called a hospital to correct a mistake on my bill, I was told: "Why are you bothering to do this? You're not paying for it."

Consumer choice advocates favor reforms that would restore consumer cost vigilance. They propose that the funds now spent on insurance by employers—averaging about $4,000 to $7,000 per family—be turned back over to consumers in a way that reflects their individual characteristics. Consumers would then be required to purchase a health insurance policy on their own, subject to IRS scrutiny to ensure they do so.

At a minimum, individuals would be required to purchase policies that protected them against catastrophic health care expenses. For example, they might be required to purchase policies that would pay for all medical events that would cost more than 5 percent of their annual income. They could also choose, of course, to purchase much more generous coverage.

Under such a system, consumers would begin to consider the cost of the health care products and services they consumed. Some people would choose to buy a catastrophic policy that costs far less than their present insurance, and then spend the difference on their children's education, on savings, or on housing. Consumer choice would allow people to decide. Consumers would be free to select the health insurance policy that best meets their needs. If they opted for a low-coverage policy, they would shop carefully for the health services that would be paid for out of their own pockets.

Because consumer choice is a market-driven health care reform, it would support entrepreneurial ventures. Health insurers would have an incentive to design low-cost policies that would appeal to people spending their "own" money. Furthermore, because it defines the insurance coverage required in dollar terms rather than "benefit packages," providers would not need to lobby to insure that their services were covered; similarly, new entrepreneurial health care services would be automatically covered. Entrepreneurial products or services that enhanced consumer satisfaction but did not reduce costs would sink or swim on the basis of market acceptance.

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Skeptics argue that direct consumer purchase of health care has never been attempted on a large scale. They worry that consumers would be unable to make intelligent decisions about health care, and, paradoxically, that smart customers would manipulate unwary providers.

Yet the contention that the American public is not smart enough to purchase its own health care is not well supported. Indeed, Americans cite themselves as the main reason that they are in good health, not their doctors or the government. More objective appraisals of the public's health consciousness also do not support the skeptics' contention. That is not to say that *all* citizens are perfectly knowledgeable about health care but rather that *enough* of them are sufficiently informed to enable a consumer choice plan to work. The information required to adequately understand the various health care policies would be eagerly provided by entrepreneurial information ventures that would evaluate the different insurers. Of course, some poorly educated consumers would likely encounter difficulties. Some regulatory efforts would be required to protect them, as is currently the case in other industries.

A different, paradoxical objection to consumer choice is that savvy consumers would trick unwary providers. Here, skeptics make the valid point that sick people might not reveal their true state of health to insurance providers. Yet both consumers and producers can commit fraud in any market. And fraudulent information, whether its origin is the provider or the consumer, would be punished in the health care industry, as it is in any other part of the economy.

Like other health care reform plans, consumer choice could provide access for the uninsured, through government-funded vouchers for the poor and a full tax deduction for the remaining uninsured. But unlike the other reform proposals, consumer choice would support the entrepreneurial efforts that are currently revolutionizing the health care industry. And in health care, as in every other sector of the economy, innovation provides the only hope for lower costs and increased quality.

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Is job training oversold?

JAMES J. HECKMAN

THE CLINTON administration has made job training a major priority. Secretary of Labor Robert Reich has already presented a bold program for skill enhancement drawing on a new consensus in certain circles of the social science and policy communities about the need to upgrade the nation's skills. An apparently new approach to training and education has been proposed and Secretary Reich is now busy selling it to the Congress and the nation.

This article provides background on the problems in the labor market that motivate the new Clinton-Reich initiatives on training and schooling. It briefly summarizes the proposed strategies and the background philosophy for the Clinton-Reich agenda. It then considers the evidence that supports or contradicts assumptions of their plan. I compare the rhetoric that accompanies these proposals with the reality of functioning programs and consider the likely success of these programs in the context of the U.S. labor market. There is a lot of evidence about many of the "new" proposals because some are reworked versions of old programs that have been carefully evaluated. Other proposals borrow ideas from Germany. Still other proposals have been evaluated in demonstration projects but the lessons from these evaluations have not yet influenced administration thinking. This

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is unfortunate because many current plans are based on assumptions that have been discredited in careful empirical studies. This research has not yet caught the attention of the policymakers in Washington.

A central fact dominating the Clinton administration's concerns about the labor market is the declining real income of male high school graduates and high school dropouts. In constant dollars, male high school graduates earned 4 percent less per week in 1989 than in 1979. Male high school dropouts earned 13 percent less per week than in 1979. Male college graduates earned 11 percent more per week. These comparisons widen further if we consider annual earnings. By any measure, labor incomes have become more unequally distributed.

For women, the story is somewhat different. Real wages of female high school graduates have risen but the rise has been even greater for female college graduates. Inequality of labor incomes has risen for both men and women. Economic returns to schooling and skill have increased. The real earnings of workers at the bottom of the skill distribution (those with less than a high school degree) have definitely declined for persons of either gender. Youth have been hit hardest in this shifting market for skills. Indeed, it is the youth labor market that is a central focus of concern for the Clinton policies.

A corollary phenomenon is the decline in labor market activity, especially among the unskilled. Using a variety of labor force measures, among the unskilled there is much greater joblessness, nonemployment, as well as longer unemployment spells than among workers with more skills ("unemployed" individuals are looking for work; those who are "nonemployed" are not). This gives rise to the "youth labor market problem." Particularly problematic are the less skilled (high school degree or less) youth who appear to flounder in the market for years before they settle down. These youth are a source of major social problems. Teenage pregnancy, crime, and idleness are important phenomena that are on the increase in most areas.

The problem of a deteriorating market for unskilled or semiskilled workers is not solely a problem of youth. Displaced adults, primarily factory workers, are a major concern. Efforts to retrain the so-called "dislocated workers" are featured in the Clinton program. Middle-age workers displaced from high-wage jobs are

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at a disadvantage in the new market for labor that has emerged since many of these workers took their first jobs. Displaced workers constitute 10 to 20 percent of the unemployed. Recent evidence on the patterns of earnings losses experienced by workers displaced by mass layoffs suggests that these losses are significant and long-lasting.

Unpleasant arithmetic

The new inequality with declining real incomes for the unskilled is a central fact of our time and is a major concern of the Clinton administration. The employment and training component of Clinton's original stimulus package was designed to address these problems. Roughly $16.5 billion was set aside to upgrade American skills. Even though the stimulus package was defeated, its major components form the foundation for current administration proposals.

Before considering specific features of Clinton's program, I will first describe the size of the task confronting his administration. My analysis will confirm the impression that economics is a dismal science because my calculations convey very dismal information indeed.

In his 1993 budget speech, President Clinton frequently used the term "investment" to describe his plans for job training. He was referring to investment in human capital—the skills of persons—in describing his job investment program. An investment generally yields returns over many years, after initial costs are incurred. For human capital, a round—and roughly correct—average number is 10 percent. Thus, for each $10 invested in a person, the expected average return is $1. Some claim that this number is lower and some claim that it is higher but most economists would accept a 10 percent return as a good starting point for my analysis.

At this rate of return, to add $1,000 in earnings per year for the average person it is necessary to make a one-time investment of $10,000 in that person. This is a large sum relative to the cost of most public and private training programs, but many college students make even greater investments each year. Using a 10 percent rate, the investment needed to reduce any wage gap is ten times the amount of the gap.

To put the magnitude of recent developments in the labor

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market in perspective, consider the following question: How much would we have to invest in our workforce to restore the real earnings of male high school dropouts and graduates to their 1979 levels?

This question is meaningful only for men because real weekly earnings for women have risen or remained roughly constant over the period 1979-1989.

A second question is: How much would we have to invest in our workforce to restore 1979 earnings ratios between lower education groups and college graduates, without reducing the earnings of college graduates?

Using a 10 percent rate of return, it would require an investment of $25,000 in each high school dropout, or a staggering $214 billion in 1989 dollars, to restore male high school dropouts participating in the workforce to their 1979 real earnings level. To restore all high school graduates to their real 1979 levels would take an investment of $10,000 per high school graduate, or more than $212 billion in 1989 dollars, for a total of $426 billion in 1989 dollars. By way of contrast, the entire Manhattan Project to build the atomic bomb cost only $15 billion in 1989 dollars.

The answer to the second question is even larger and more dismal. The table shows the amount needed to restore the 1979 earnings ratio between high school graduates or high school dropouts and college-educated, full-time workers over age twenty-five. To restore real earnings for both male and female workers over age twenty-five who have a high school education or less to their 1979 relative positions with respect to college graduates (holding the latter at 1989 real wage levels) would require an investment of more than $1.66 trillion. These numbers are conservative because they do not consider persons below age twenty-five or persons who do not participate in the workforce at the current wage levels.

One could qualify these calculations in many ways. One might want to adjust down the rate of return as more difficult to train persons receive training. Or, one might wish to account for the fact that as persons have their skills upgraded, the real wages of lower skill workers are likely to increase as they become more scarce and the real wages of those with higher skills are likely to decrease as their supply increases. Still, under most plausible

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How much it would cost

. . . to restore earnings to 1979 levels:

Males	(in billions)
Investment needed to restore average male high school dropout earnings in 1989 to average real earnings of male high school dropouts in 1979	$214
Investment needed to restore average male high school graduate earnings in 1989 to average real earnings levels of male high school graduates in 1979	$212
TOTAL	$426

. . . to restore 1979 earnings ratios:

Males	
Investment needed to restore average male high school dropout earnings in 1989 to the level needed to achieve the 1979 high school dropout/college earnings ratio (holding 1989 college graduate wages fixed)	$382
Investment needed to restore average male high school graduate earnings in 1989 to the level needed to achieve the 1979 high school graduate/college earnings ratio (holding 1989 college graduate wages fixed)	$770
Females	
Investment needed to restore average male high school dropout earnings in 1989 to the level needed to achieve the 1979 high school dropout/college earnings ratio (holding 1989 college graduate wages fixed)	$136
Investment needed to restore average female high school graduate earnings in 1989 to the level needed to achieve the 1979 high school graduate/college earnings ratio (holding 1989 college graduate wages fixed)	$378
TOTAL	$1,666

Source: Wages are from Rebecca Blank, "Employment Strategies: Public Policies to Increase the Work Force and Earnings" in S. Danziger, G. Sandefor, and D. Weinberg, eds., *Poverty and Public Policy: What Do We Know? What Should We Do?*, Harvard, 1994. I assume workers work 50 weeks a year. The figures on the educational breakdown for the labor force are from Table #616, *Statistical Abstract of the United States*, 1992. I delete all persons not in the labor force and those less than age 25. On these criteria, the estimated investment costs are understood.

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scenarios, the costs of restoring skill parities to their 1979 levels are huge.

From these calculations, there are two lessons: (1) the problem addressed by the Clinton administration is enormous and (2) expenditures at the level of $16—or $60—billion a year cannot possibly solve the problem in the next four years. These sobering conclusions also suggest that it will be essential to make wise investments. With resources as limited as they are, it is necessary to make the most effective use of them.

It is also far from clear that the proposed program of investment in human capital would reduce income inequality. Raising the skills of a few need not reduce overall inequality. Many programs train only the high-end among the low-skill workers. Such training efforts could polarize the labor market and produce greater income inequality. In addition, it takes skilled labor to produce skilled labor. A large scale increase in training activity might *increase* earnings inequality in the short run since it would further expand the demand for skilled labor to train the unskilled labor and contribute to the growing gap in the earnings of more educated labor compared to less educated labor.

The new view

In the past four years, a consensus of sorts has emerged about the functioning of the U.S. labor market and the institutions that produce skills. It is negative in tone about current institutions and looks abroad—especially to northern Europe, and in particular Germany—for advice on how to structure American labor market policies. Nathan Glazer recently summarized the intellectual sources for the new view in this journal ("A Human Capital Policy for the Cities," Summer 1993) and so a detailed review of the origins of the new consensus is not required.

The new view is stated most forcefully in the report of the Commission on the Skills of the American Workforce (CSAW) (*America's Choice: High Skills or Low Wages*) and is endorsed in part by Martin Bailey, Gary Burtless, and Robert Litan (*Growth with Equity*, Brookings, 1993), and in numerous lectures and articles by former Secretary of Labor Ray Marshall.

The following ideas are at the heart of the new consensus:

(1) Growing inequality in wages and incomes is a serious

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social problem. Especially troublesome is the decline in real earnings among young and unskilled workers.

(2) The quality of the labor force is in decline. Included in the notion of "quality" is the work ethic, attitude, etc. of employees. The U.S. is perceived to be facing a skills shortage exacerbated by immigration from countries with less skilled workers. Our productivity growth has declined, and this is linked to the decline in the quality of our labor. The recent growth in output during the Reagan-Bush years had more to do with expansion of inputs (primarily the surge of workers produced by the baby boom) than with workforce quality improvements.

American schools, according to this view, have failed to produce high quality students. They fail to motivate students and leave them inadequately trained for academic or nonacademic alternatives. Most American education is only poorly connected in content or practicality with the demands of jobs. The low academic performance of Americans is manifest in poor test scores compared with those of students in other countries.

(3) The productivity of the workforce cannot be improved by investing in physical capital and machinery because, as the authors of *America's Choice: High Skills or Low Wages* write, "low wage countries can now use the same machines and still sell their products more cheaply than we can." (This view is not held universally even within the group of scholars advocating the new view.)

(4) The CSAW blueprint for the future of the workplace claims that the key to enhanced productivity lies in a "Third Industrial Revolution now taking place in the world": Henry Ford-style mass production and specialization is becoming obsolete, although it is still widely utilized in the United States. The ability to produce quality goods, sensitive to changing consumer tastes—"flexible technology"—is what is valued now and this requires more highly trained, though not necessarily more highly specialized, workers. Participation in the "global economy" requires that we move toward high productivity work organizations built around highly trained workers.

(5) The authors of the influential CSAW report view the "school-to-work" transition in America as "chaotic" when compared with the "orderly," "smoothly functioning" transitions experienced by German youth who participate in apprenticeships.

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Youth apprenticeships, especially designed for non-academically oriented youth, motivate learning by making it tangible and relevant to market needs. By certifying youth through nationally recognized credentials based on tests, we would do for vocational training what we currently do for academic training, by granting recognizable and accepted degrees. We should enhance incentives for the acquisition of skills in the workplace "by guaranteeing" an economic return to quality in a national market through the establishment of recognized skill credentials programs operated by firms, unions, and governments. In this way, we would create the skill base for Americans to participate in the "Third Industrial Revolution."

The new consensus is a happy marriage of two recent lines of thought. The first is the view that the craft economy—the "flexible technology" economy—is more adaptable to taste and technology change and is coming back after a century and a half of the triumph by the mass production economy. This view was expounded by Michael Piore and Charles Sabel in their 1984 book, *The Second Industrial Divide*, and has fired the imaginations of many planners and policymakers. It has proved hard to document as a widespread phenomenon but "flex-tech" is widely trumpeted as a "leading edge" technology. The second line of thought is the view that a return to the apprenticeship system that supported the old craft system would provide the incentives to acquire the right skills. This claim is most strongly espoused by Stephen Hamilton (*Apprenticeship for Adulthood*, Free Press, 1990).

To these lines of thought has recently been joined a third argument that "flex-tech" is best implemented in job environments in which firms and unions cooperate, and in which workers with general skills perform a multiplicity of tasks. It is claimed that by defying the law of comparative advantage and by forgoing the benefits of specialization in tasks in the workplace, worker and firm productivity will be enhanced. Unions are viewed as essential ingredients for fostering the cooperation needed to sustain the new workplace, even though it is well known that unions reduce the profits of unionized firms. Coupled with the remarkable and unsupported claim that investment in physical capital cannot restore or boost American productivity relative to that of other countries, the new consensus virtually dictates a coopera-

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tive strategy of workplace-based investment in human capital.

While earlier advocates of the new consensus saw widespread adaptation of the new technology as an inevitable consequence of progress, more recent advocates are less sanguine. It has been documented that voluntary adoption of "Third Industrial Revolution" technology and training schemes by firms has been rather slow. Very few firms have participated in the "revolution." This has not led new view advocates to question their arguments concerning the superiority of the new technology. Rather, they have criticized myopic American firms for failing to adopt an obviously superior technology. Appealing to current French policies, Gary Burtless and his co-workers have suggested training taxes to "encourage" skill investment by creating industry-wide finance pools. There has been remarkably little discussion about the likely disemployment effects of such taxes.

In addition to these visions of transformation, new view advocates share the concern that most Americans feel about the welfare population. President Clinton made a bold promise during the last presidential campaign to train welfare recipients for two years and then induce them to work by reducing their benefits. In addition to this promise, the Clinton administration has proposed an expansion of long-term training programs for dislocated adult workers who have lost their jobs through plant and firm closings.

Clinton's agenda for training

I now turn to the major proposals designed to implement new view ideas. While the Clinton proposals considered in spring 1993 and outlined here have been revised, they have not been substantially altered. The key proposals are:

- The Summer Youth Employment and Training Program, under the Job Training Partnership Act (JTPA), to be doubled in size from 700,000 to 1.4 million slots at an increased cost of $1 billion for the first year of operation. The program would be expanded on a permanent basis to provide more employment, education, and training opportunities for disadvantaged youth. Over four years, the expansion would cost $2 billion and provide an additional 2 million summer opportunities.
- The Trade Adjustment Assistance (TAA) program and Economic Dislocation and Worker Adjustment Assistance (EDWAA,

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or Title III of JTPA) would be combined and expanded to serve more dislocated workers who lose their jobs due to foreign competition, industry restructuring, and defense downsizing. The program would likely cost $2 billion in 1997 and approximately $4.6 billion over four years.

• The Job Corps would be expanded 50 percent by 2001 to increase slots from 70,000 to 104,000. The cost would be $202 million in 1997 and $341 million for 1994-97. An additional $50 million in 1997 and $105 million over four years would be spent to renovate existing Job Corps centers.

• A nationwide system of youth apprenticeship programs would be established to provide school- and workplace-based learning for youth who do not plan to attend college. The proposal calls for $500 million in 1997 and $1.2 billion over four years.

• A welfare reform initiative will be developed to help families in poverty gain the skills and education needed to increase their incomes. Details have not been released, but the program will provide enhanced education and training for up to two years, after which welfare recipients will be required to work.

Will the programs work?

I will now consider the programs that are the centerpiece of the Clinton initiative.

A. The Summer Youth Employment and Training Program

The investment content of the Summer Youth Employment and Training program is likely to be low. Predecessor programs such as the Kennedy-Johnson Neighborhood Youth Corps program were well known to be palliatives, designed to keep inner city youth off of the streets. No firm evidence of any lasting effects of these programs on employment, wages, or behavior has ever been demonstrated. The new twist of this program is the "investment" argument being given in support of it. Barbara Heyns and her associates have argued that knowledge acquired in schools deteriorates through disuse during the summer. The new proposals recognize this possibility and suggest that summer youth programs should be enhanced by learning enrichment activities. "Make-work" has become an "investment."

What are the prospects for success of this program? Fortunately, a recent evaluation of the Summer Training and Education Program (STEP) has been presented by Public/Private Ven-

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tures, a Philadelphia-based non-profit corporation that evaluates and manages social policy initiatives aimed at helping disadvantaged youth (Gary Walker and Frances Viella-Velez, *Anatomy of a Demonstration*, 1992).

STEP offered two summers of employment, academic remediation, and a life skills program to low-achieving fourteen- and fifteen-year olds from poor families. The objective was to reach youth at the crucial age at which they are deciding whether or not to drop out of school or become pregnant. Part-time summer work at the minimum wage was supplemented with remedial reading and math classes and courses on the long-term consequences of drug use, unprotected sex, and dropping out.

Using randomized trials, 4,800 fourteen- and fifteen-year olds in five cities were enrolled in or randomized out of the program. Both treatments and controls were followed for eight years. A high quality evaluation was conducted for three cohorts of participants.

The outcomes of this program are disappointing. STEP participants experienced short-run gains and boosted their math and reading scores by half a grade as measured by competency tests. Even after fifteen months, these gains held up, but gains in the second summer were less than those in the first. Especially large was short-run growth in knowledge of contraceptive methods.

This short-term promise did not translate into longer-term gains. Three and a half years after their STEP experience—at the ages of seventeen and eighteen—15 percent of participants were neither at work nor at school. The proportions were virtually identical for treatments and controls. Some 22 percent of young women had children and 64 percent of these were receiving public assistance in some form. Work rates and school completion rates were identical and low for treatments and controls.

Since STEP is, if anything, more intensive than the proposed summer youth programs, this evidence suggests that summer youth programs are not investments. There is no evidence that they have lasting effects on participants. They may protect the peace, prevent riots, and lower the summer crime rate, but there is no evidence of such effects.

B. Youth apprenticeship programs

I now turn to the most novel and controversial part of the

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Clinton-Reich agenda—the proposal for youth apprenticeship programs. Apprenticeship, once a vital part of the craft system, has withered away. It is now used in only a few crafts in the construction trades. Participants in these programs tend to be in their mid to late twenties. The term "apprenticeship" has come to be used more broadly by the administration to encompass a variety of workplace-based training programs for youth in their late teens.

The premise of youth apprenticeship programs is that the transition from school to work in the American labor market is "chaotic," with many youth who do not continue on to college becoming trapped in "dead end" jobs that lead nowhere. A recurrent theme in the policy discussions on this topic is that high youth turnover is a symptom of "floundering," in which aimless job searches produce no long-run benefit for young labor market participants. In contrast, the German apprenticeship system is held up as paradigm of "order" in which youth in their late teens progress smoothly from school to work and engage in learning on the job. Low youth unemployment and nonschooling rates in Germany are contrasted favorably with high rates in the United States. (See, for example, Robert I. Lerman and Hillard Pouncy, "The Compelling Case for Youth Apprenticeships," *The Public Interest*, Fall 1990.)

The central features of the German scheme that are advocated for adaptation to an American setting are:

(1) Workplace-based training and schooling, which is supposed to motivate learning for the less academically inclined. By putting theoretical constructs developed in the classroom to immediate use on the shop floor, students who are not academically oriented will be more likely to learn. This is the "motivation to learn" argument.

(2) Workplace-based training, which is supposed to reduce job shopping by linking trainees to firms at an early age. Instead of wasting time searching for jobs, apprentices are busy learning how to do jobs. Much unnecessary search is eliminated. This is the "cuts wasteful search" argument.

(3) Workplace-based training, which places young people in contact with nonfamily adults earlier than does traditional schooling, and also teaches the work ethic. It takes students out of formal schools where peer pressure often works to undermine

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learning and achievement. This is the "eliminates peer pressure and promotes exposure to adults" argument.

(4) Workplace-based training improves on ordinary vocational training provided in public schools, which is often out of touch with market realities and new ideas. Firms providing training are more likely to be aware of market demands than are public school bureaucracies. This is the "benefit to privatization of learning" argument, although it is rarely described as such by advocates of youth apprenticeship programs.

(5) Workplace-based training coupled with national certification for achievement of skills by governmental, industrial, and union groups, which is supposed to bring to vocational training the benefits of credentialing now conferred by academic degrees and certificates. Certification of generally recognized skills will create a national market for skills that are currently hard to verify. Workers will have a greater incentive to invest in skills if they can transport them to a wide variety of firms. This is the "credentialing" argument.

(6) Workplace-based training will be the first step in a lifetime of career learning in which workers return to the classroom on a regular basis to enhance their skills. Learning will become a permanent part of the workplace, eliminating the dichotomy between learning and earning that characterizes the current labor market. This is the "career of learning" argument.

What are the merits of these arguments? Before answering this question, it will be helpful to summarize existing knowledge about the youth labor market in the United States and to examine the functioning of the German apprenticeship program.

The youth labor market in America

Comparing the United States and German labor markets, there can be no doubt that the latter is more "orderly" in the sense that a much smaller proportion of youth is not at work or in school in Germany at age seventeen than in the United States. This fact does not prove that the German system is the more efficient one. This is especially true in light of the fact that the effective compulsory schooling age is eighteen in Germany while it is sixteen in most U.S. states. German youth who seek work other than as menial laborers are *required* to be "off the street" and pursuing schooling or an apprenticeship program at the ages

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when many young Americans are making their transitions to full-time jobs.

The technocratic view put forth by advocates of youth apprenticeship programs denies the value of job shopping and job searches. Joblessness and turnover are viewed as wasteful activities that are usefully curtailed. Yet a recent study documents the important role of job shopping as an element of career mobility for young male workers (over age eighteen) in the American labor market. During the first ten years of labor force attachment, a typical male worker holds seven jobs and achieves about one-third of his realized wage growth by changing jobs. (Career paths for young women have not been studied in similar detail.) Matching of workers to firms—characterized by the consensus view as a time-intensive process that involves "wasteful" search and turnover—is in fact a major source of personal productivity enhancement with beneficial economic and social consequences. This has been demonstrated by Robert Topel and Michael Ward in the *Quarterly Journal of Economics* (May 1992).

Such matching activity is productive because the worker skills utilized by firms are idiosyncratic. A bright person with a difficult personality may not be suited for one firm but may be ideal for another. Diversity is an integral feature of the skills embodied in persons. Diversity of opportunities across firms is an essential feature of the American economy. Job shopping is a productive activity that reveals the suitability of worker-firm matches.

Moreover, finding a successful match is only the beginning of an investment process that characterizes most worker-firm relationships. There are match- or firm-specific investments that enhance productivity and are not portable elsewhere. No uniform national skills test can certify or predict the value of these investments in advance. It takes trial and error to learn about, create, and expand upon good matches. Programs that "certify" general skills do not recognize the enormous economic value of nontransferable match-specific skills. The credentialing argument biases government policy toward promoting general skills because they are easier to measure.

Much research demonstrates that standardized tests only crudely measure the skills that are valued by firms. The goal of using uniform national tests to eliminate "wasteful" job shopping by certifying skills is likely to be an unattainable one. More

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information is preferred to less information and skills tests probably convey some information. But they cannot convey all of the characteristics of personality, motivation, and drive that make for a successful worker and a successful match, nor can they capture important firm-specific skills.

If successful, a national skills testing program would likely make it harder to finance the training of workers. A principal argument of advocates who claim that there is failure in the market for training is that the inability of workers to borrow against future earnings prevents workers from pursuing all the self-investment that would be socially efficient. To the extent that national tests certify skills and make job training more portable across firms, they make funding of training more difficult. A firm that can train a worker and reap most of the benefits of the training is likely to pay for a significant share of a worker's training costs. If, as a result of national tests, the worker's skills are revealed to a much wider market, a firm will be less likely to undertake such investments and to finance skill investments. This will shift the burden of paying for the training onto the workers who face important limitations on their ability to borrow.

The case for certifying skills thus diminishes under closer scrutiny. The technocratic view that youth job turnover is a wasteful activity is not supported by the evidence. Job shopping promotes wage growth. Turnover is another form of investment, not demonstrably less efficient than youth apprenticeships. National certification of skills—if successful—could worsen the problem of financing training.

The concern about "inefficient" joblessness that is characteristic of recent proposals for youth apprenticeships also ignores some important features of the youth labor market summarized by Richard Freeman, David Wise, Martin Feldstein, David Ellwood, and Harry Holzer. First, most teenagers (83 percent of men and women aged 16-19) are either in school, working, or both. Most unemployed teenagers are either in school or seeking only part-time work. Only 6 percent of all teenagers are unemployed, out of school, and looking for full-time work. Most teenage unemployment spells are short. The bulk of teenage unemployment is experienced by a small group of teenagers with long spells of unemployment. These teenagers are concentrated in disadvantaged (minority, poor family background) groups with

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low levels of education. Unemployment and nonemployment problems are very acute for high school dropouts. This is, however, only a small portion of the total teenage population. Dead-end joblessness is not a modal phenomenon for teenagers—rather, it is a phenomenon for only a minority of teenagers. The 1970s view that unemployment risk declines with age remains essentially correct today.

Early employment experience has little effect on later employment chances, once we control for person-specific characteristics. Loss of work experience reduces wage growth but such effects are transient in the life cycle. Even when teenagers hold dead-end jobs, most move out of them by their early twenties. There appear to be few "permanent scars" (in the language of David Ellwood) from early "floundering" or job shopping during the teenage years and in the longer view, there is considerable evidence of wage growth that results from job shopping.

None of this denies that there are disadvantaged groups that are not readily assimilated in labor markets. These groups may need special remedies, such as apprenticeship and job training programs. But in devising national strategies for education and training, it is also important to keep in mind the broader picture of the youth labor market. "Churning" is a form of learning and most youth who are in dead-end jobs work and search their way out of them.

How the German system works

It is useful to examine the German apprenticeship system to see what lessons can be learned from it for improving American labor market and training institutions. German youth move through three academic tracks. By grades four or six, students are sorted into three schools: Hauptschule, where they continue until grades nine or ten; Realschule, where they continue until grade ten; and Gymnasium, where they continue until grade thirteen. Hauptschule leads to apprenticeships usually of a three-year duration. Typically, one day a week of an apprenticeship is spent in academic schooling suitable to the occupation being trained for. The rest of the apprentice's time is spent learning and working on the job. Realschule qualifies students for further vocational schooling that eventually culminates in work and learning ("dual system") activities. Gymnasium leads to university preparation

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and is technically considered outside of the apprenticeship system, although in certain sectors, such as banking, students certified to go to the university instead take a form of professional apprenticeship. Hauptschüler become carpenters, auto mechanics, and office assistants. Realschüler become laboratory technicians, precision mechanics, and personnel managers. They are placed in high-level apprenticeships. Not all graduates of these schools become apprentices. (Only 38 percent of Realschüler become apprentices and about 50 percent of the Hauptschüler become apprentices.) Many youth, especially those from the Realschule, continue on in post-secondary vocational schools. Government pays for the direct costs of schooling. Apprentices pay the costs of training by taking lower wages.

Apprenticeship wages range from 22 to 33 percent of full-time professional wages. The "training wage" varies by sector, with larger firms paying more than smaller firms. In the handcrafts sector (retail trade and services), wages are quite low. Many apprentices live at home and are unable to support themselves with the apprenticeship wage. Only 10 percent of the firms in industry and commerce participate in these training programs, while 40 percent of the smaller crafts firms participate at the lower wages they face. These training wages operate like youth subminimum wages. Since the German economy is virtually 100 percent unionized, the exemption from high-level union wages granted to apprentices greatly facilitates their employment. The apprenticeship system provides an escape route for firms from high union wages.

Apprentices also serve as employment buffers. German labor regulations make it difficult for firms to fire workers after a trial period of six months. Apprenticeships can last up to three and a half years and are not covered by these regulations. Thus apprentices can be terminated much more easily than ordinary workers and constitute a flexible employment margin in an otherwise inflexible German employment system.

Apprentices are tested for minimal knowledge of basic skills. The pass rate on certification exams is 90 percent. Candidates may take the exam twice more if they fail the exam on the first attempt. Success rates in the exams thus tend to be quite high. Apprenticeship does not lead to lifetime employment at the firm training the workers. Most apprentices move on to take full-time

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positions at other firms. This is especially true for trainees in the crafts sector where firms are rather small. Apprentices often take jobs in different occupations than the one they are trained for. The leading trainer of bakers in Munich is the Ford Motor Company. Recent evidence suggests that after five years, more than half of all apprentices are working for a different company than the one that trained them. Participation in apprenticeship programs postpones but does not eliminate job shopping.

Completion of an apprenticeship, like graduation from a school, often conveys more information about the tenacity of the trainee and his or her ability to finish a task than it does about the quality of the skill learned. Credentialing conveys information about the stamina and degree of socialization of the apprentice that is valued in the market. A recent study of the economic returns to the German apprenticeship program by Kenneth Couch suggests that they are low. Another study by Dieter Haroff and Thomas Kane reveals that the rate of growth of earnings for workers with experience is the *same* for German and American youth. The rate of growth of earnings with experience is often a reliable guide to the amount of human capital invested in workers. This evidence suggests that there is little difference in the amount of youth investment in human capital in the two societies.

The apprenticeship and schooling system in Germany has come under attack as rigid and unresponsive. Students are tracked at an early age. There are many fewer second and third chance features in this system than are characteristic of schooling choices in the United States—a feature unlikely to be attractive in an American setting. Although some Realschüler become students at universities, this occurs infrequently. It is often charged that minorities (especially Turks) are excluded from participation because the informal nature of the workplace places a premium on personal ties as a basis for participating in work groups. Among eligible persons, the Turkish participation rate in apprenticeship programs is only a third that of ethnic German rates.

The very narrow technical training and rigid curriculum of the German apprenticeship program contribute to diminished options in later life. This observation goes part way toward explaining the current anomaly of low youth unemployment rates and much higher adult unemployment rates found even in the

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former West German part of Germany.

The popular press has featured a link between German workplace productivity and the apprenticeship system. There is little factual basis for this presumed relationship. Old images die hard. The German miracle is over. Recent studies document that German workers have lower productivity than American workers even in producing automobiles and beer in the western portion of Germany. German labor productivity has declined since the early 1980s. While the apprenticeship system cannot be held responsible for this decline, neither can it be credited with any desirable macroeconomic productivity-enhancing effects.

Stripped to its essentials, the German apprenticeship system should be viewed as imparting one bit of flexibility to an otherwise rigid labor market. The real lesson to be learned from the German apprenticeship program is that to promote employment one should reduce regulation in the labor market. The German apprenticeship system is a mechanism for evading union-mandated minimum wage laws and regulations that make it difficult to terminate ordinary workers. It is no accident that those firms permitted to pay the lowest wages (in the crafts sector) are more likely to train apprentices than are higher wage-firms in the industrial and commercial sector, where the permitted reduction from the standard wage is not as great.

The German apprenticeship system is also a device for permitting choice in schools. By selecting an occupation, a trainee also selects a school. He or she is able to shop around for better schools and training, thus breaking the monopoly of public schools in Germany at the secondary level.

The exam certification system acts as a credentialing device for young workers. What is not clear is whether the signal sent by the credential represents achievement of real skills or a demonstration of persistence and tenacity. Exams do not certify specific skills or match specific characteristics, although both matching and firm-specific investment are important components of modern economies. Indeed, it seems likely that if we were to return to a craft economy, match-specific and firm-specific skills would be even more important than they are today and testing would be even less effective in such an environment.

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Are current policies biased?

A central premise of the argument in support of youth apprenticeship programs is that American public schools have failed to provide adequate basic skills and job-oriented training for non-college-bound youth. The vocational training provided by public school bureaucracies is often not tailored to market demands.

Current government educational subsidy policies favor formal education over other forms of learning and training. However, current tax policies operate in the opposite direction. Companies can write off up to $5,000 per year of the training they provide to their employees. By taking lower wages in order to learn a skill on the job, a worker saves in income taxes because forgone earnings are not taxed. Elsewhere I have demonstrated that the income tax system is biased in favor of the accumulation of human capital for individuals who have higher incomes.

What really happens in Germany

Proposals for apprenticeships seek to redress the current imbalance in public expenditure between academic and job-oriented training. In this regard they correct a potentially important distortion in current subsidies to education, although they run the risk of favoring general skills over specific skills and they fail to recognize that there are alternative tax policies that might also have the same effect. To the extent that proposals for apprenticeships undermine the monopoly of local school bureaucracies in shaping the content of schooling and adapting the school curriculum to market demands, the youth apprenticeship movement can be seen as supporting choice in schools by permitting students to opt out of conventional school systems that discourage creativity, achievement, and productivity. To the extent that apprenticeships subvert the minimum wage, they expand youth employment, and the opportunities for youth to take training wages from private firms.

Of course, these objectives could be achieved by other means. The minimum wage could be lowered or abolished. Choice could be instituted in schools. Vouchers could open up options for improved training and schooling. Formal training and post-school education programs could be made deductible from personal

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income taxes. Since these policy options do not appear to be acceptable to the Clinton administration, an apprenticeship policy that goes part way toward accomplishing these goals may be a successful partial substitute.

The argument for youth apprenticeship programs is not couched in these terms. Instead, a romanticized description of an "orderly" transition from school to work through work-based training is presented which understates the value of job shopping and the importance of firm-specific human capital, and overstates the value of continuous progression through schooling, training, and work.

There is little hard evidence on the efficacy of any work-based learning plan. As previously noted, popular discussions fail to note that the compulsory schooling or apprenticeship-taking age is effectively higher in Germany than in the U.S. (eighteen vs. sixteen) and this necessarily reduces unemployment in Germany at young ages. The fact that most youth trained as apprentices work for firms other than the ones that train them means that job shopping is postponed, not eliminated.

Once it is recognized that the "youth unemployment problem" is one experienced by a small minority of disadvantaged youth, it seems rather drastic to restructure the training environment for all teenagers to benefit just a few. Targeted programs like Job Corps that are costly but that have proved to be effective may accomplish more than the sweeping reforms of the sort envisaged by some advocates of youth apprenticeship programs.

The evidence

One major campaign promise made by President Clinton was that most persons currently on welfare would be given extensive training and be required to move off welfare within the next two years. It is fair to say that no one believes that this will happen. How effective are current programs in moving people from work to welfare? In this section, I draw on a recent summary of the evidence by my University of Chicago colleague, Robert LaLonde ("The Earnings Impacts of Government Training Programs," unpublished, 1993). No major government program produces a rate of return as high as the 10 percent figure used as a benchmark in the pessimistic calculations presented at the beginning of this article.

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Training programs

Employment and training programs increase the earnings of female AFDC recipients. Earnings gains are (a) modest, (b) persistent over several years, (c) arise from several different treatments, and (d) are sometimes quite cost-effective. However, most participants are still eligible for welfare after completion of these programs.

The National Supported Work Program provided intensive training and job search assistance for welfare participants. Roughly $16,550 was spent per recipient. The estimated rate of return for this program was only 3.5 percent.

Results from the recent experiment evaluating the Job Training Partnership Act confirm these findings: the largest effects of training programs on earnings are found for women but no program is sufficiently sizable to move more than a tiny fraction of women off of welfare. These programs are often cost-effective (especially if the cost of trainee time is ignored or is sufficiently low) but they do not produce dramatic changes in participant earnings. Most persons who complete JTPA are still eligible for it at the end of their training. For adult males the evidence is consistent with that for adult women. Returns are low but usually positive. Job search is an effective strategy but produces only modest increases in the level of earnings. Evidence from the recent JTPA experiment shows only low or negative earnings for youth. For male youth, the estimated negative effect is unbelievably low. If taken seriously, participation in JTPA has a more negative impact on youth earnings than enrollment in the Army, loss of substantial amounts of work experience, or the cost of incarceration as measured by many studies.

The evidence on the effectiveness of adult basic education programs and especially the General Educational Development (GED) certification program suggests that they are very ineffective. Only the Job Corps has a demonstrated strong positive impact on earnings. It is an expensive program—costing $20,000 or so per participant with an estimated return of roughly 8-9 percent. There is a sound argument for expanding this program. It is a tried and true mechanism for advancing the economic prospects of disadvantaged youth.

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Workfare and learnfare

How effective are the newer learnfare and workfare programs? A recent evaluation of two programs conducted in Wisconsin is of interest. One program—Work Experience and Job Training—provides AFDC clients with assessment, job search activities, subsidized employment, job training, and community work experience. The second program—Community Work Experience (CWEP)—requires participation in unpaid community service jobs for non-exempt AFDC participants. Participants who fail to find employment after completing their education and training are also required to participate in CWEP jobs.

Using randomized trials for one county and nonexperimental methods for the rest, researchers show *no effects* of these programs compared to existing program alternatives. The reduction in AFDC participation that is widely cited as a consequence of these programs is essentially due to the improvement in the Wisconsin economy over the past few years. These results are disappointing but consistent with previous studies of the efficacy of such programs by the Manpower Demonstration Research Corporation.

Participation in an Arkansas job search program was required for AFDC recipients with children over age three. Participants attended a group job search club for two weeks and were then asked to search on an individual basis for an additional two months. A program in San Diego required all AFDC participants to take job search assistance and also mandated work experience. There were modest short-run earnings gains for participants in both programs. Mandatory work experience programs produce few long-term gains. No cheap training solution has yet been found that can end the welfare problem. To raise a woman on welfare out of poverty by increasing her earnings by $5,000 per year ($100 per week) will cost *at least* $50,000. This is the scale of required investment and no "quick fix," low-cost solution is in sight.

Displaced workers programs

Displaced workers are another group that has received much attention. Middle-aged workers suffer major wage losses from which there is little recovery six years after displacement. In

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response to this problem, Congress passed Title III of the Job Training Partnership Act in 1982 and the Economic Dislocation and Worker Adjustment Assistance Act in 1988.

Although studies evaluating these programs directly are not available as yet, evaluations of state-funded programs providing a similar mix of services have been conducted. The evidence on a variety of these programs suggests small to moderate wage gains that last only about a year. A recent evaluation by Mathematica Research of training provided under the Trade Adjustment Assistance Act to workers displaced as a result of competition from foreign firms, found no evidence of any effect of this long-term training program on the earnings and employment of recipients (W. Corson, *International Trade and Worker Dislocation: Evaluation of the Trade Adjustment Assistance Act*).

Programs that successfully train displaced workers are expensive. For each dollar of wage gain, at least ten dollars of investment cost must be incurred.

Conclusion

The challenges confronting the Clinton administration are daunting. Even a very successful human capital investment strategy—one with a rate of return as high as 10 percent—would require trillions of dollars of investment to restore parities in wage differentials by education to their 1979 levels. Small sums like those proposed in Clinton's defeated stimulus package can go only a little way toward reducing inequality and lifting the wages of unskilled workers.

Summer jobs programs have no investment component and should properly be viewed as redistributive programs. The Youth Apprenticeship initiatives bundle good ideas with bad ones. The good ideas are: (1) that current educational policy subsidizes academic education at the expense of workplace or vocational education and a redress in this inequity will likely enhance worker productivity, especially for lower-skilled workers; (2) that creating greater choice in schools—especially in the area of vocational education—will produce a curriculum more closely attuned to market demands than the curriculum currently presented by public school bureaucracies; (3) that linking learning to practical applications will likely rekindle interest in schooling on the part of unmotivated students; (4) that youth subminimum

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wages and reduced labor market regulations promote the employment and training of youth.

The bad ideas are: (1) that general skills portable across firms which can be measured by examinations should be subsidized at the expense of firm-specific and match-specific skills; (2) that job shopping and firm search are wasteful rather than productivity-enhancing activities; (3) that training strategies likely to be effective for disadvantaged workers should be applied on a wider scale; (4) that investment in physical capital will not aid in promoting productivity in the workplace and in making American firms more competitive in international markets.

The Clinton administration could construct a better training program if it emphasized the value of promoting choice in schools, the value of a youth subminimum training wage, the value of flexible labor market institutions, and the value of hard to measure—but important—firm-specific and match-specific investments.

Empirical support for youth apprenticeship programs is weak. There is no systematic evidence that we are returning—or that it is profitable to return to—a form of craft production in which highly skilled, flexible professionals replace highly specialized workers. The argument for apprenticeship has to be made on other grounds. Taxes on firms to "encourage" them to invest or to contribute to general investment pools are likely to have substantial disemployment effects that would work against the general objective of promoting employment.

Proposals to end welfare by workfare and learnfare programs would require billions of dollars of investment that are unlikely to be undertaken at this time. Certain public training programs are effective in a modest way. None can promise to move people out of poverty at *low cost*. President Clinton is right to emphasize that training and education are investments. A 10 percent return on an investment is a good return. But even with a return that high, the sums of money currently under consideration for these programs can go only a little way toward reversing the basic economic forces that have transformed the structure of wages and employment in the United States labor market in the last decade.

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The new protectionism

IRA CARNAHAN

PROTECTIONISM IS perennially popular in Gary and Youngstown, but over the past decade it has grown more respectable in Cambridge, New York, and Washington D.C. There seem to be several reasons. One is the tremendous economic success of Japan, Korea, and other East Asian countries, and the perception that their success is due, at least in part, to protectionism. Another factor is the research of a number of economists working in "strategic trade theory." These economists have demonstrated that, under certain conditions, protectionism can provide broad economic benefits for the country practicing it and, in some cases, for the world at large. A third reason for protectionism's increased popularity is the belief that, with increasing world economic integration, protectionism is necessary to shield society's less fortunate from the harsh winds of economic change. A fourth reason for protectionism's resurgence is the belief that economic strength has replaced military strength as the chief instrument of international influence, and that protectionism is required to ensure a country's economic might and independence.

Now these are very different reasons, and one could, in theory, accept one without accepting the others. Yet in practice, someone who accepts one is likely to accept all. Advocates of protection are also predictable supporters of its close cousin, industrial policy, which has also gained new prominence.

James Fallows, an editor of the *Atlantic Monthly*, has probably done as much as anyone over the past several years to advance the argument that protectionism and industrial policy can make good government policy. For his new book, *Looking at the Sun*,† Fallows has read and traveled extensively, pulling to-

†*Pantheon. 528 pp. $25.00.*

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gether a tremendous amount of material. He has assembled what may be the strongest case ever made for trade protection and industrial policy.

In Fallows' view, it is impossible to explain the remarkable success of Japan, Korea, Taiwan, and the other countries in the region without acknowledging the important role of government intervention in the economy. The success of this intervention, he argues, poses a fundamental challenge to the "Anglo-American tradition" of economics. According to this tradition, government intervention in the economy is desirable only in very limited circumstances—for instance, to control pollution, build highways, or provide for the national defense. Any intervention beyond this minimum, it is believed, will ultimately reduce the nation's economic welfare.

The countries of East Asia, writes Fallows, have largely rejected this understanding, and instead embraced the "German tradition," whose leading exponent is the nineteenth century theorist Friedrich List. The German tradition assumes that maximizing a country's wealth requires government direction. It is also less concerned than the Anglo-American tradition with consumer welfare, instead emphasizing production and economic independence. The German tradition, writes Fallows, "views economics as essentially a tool of national strength—that is, as a *political* matter rather than as a question of dollars and cents."

WHILE THE EAST ASIAN countries have largely rejected Anglo-American economics, Fallows writes, they have done very well indeed. It is vital, he argues, for U.S. policymakers both to understand what is going on in these countries, and to learn from their experiences.

Certainly Fallows is correct: understanding is important. And there is much in *Looking at the Sun* that is valuable and helpful. Fallows describes, for example, the basis of Japan's near-obsessive concern with economic independence:

> Japan's fundamental predicament is that it is vulnerable to the external world in countless ways. In the late twentieth century, Japan is dependent for raw materials to keep its factories running and its people fed. For a much longer period it has been vulnerable to powerful foreigners.... As they have surveyed the world, Japanese leaders from the Meiji era on have felt victimized, vulnerable, and looked down upon.

Fallows demonstrates this with superb detail. He also relates many telling anecdotes about life in East Asia, such as the fol-

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lowing tale about the Japanese work ethic:

> While I was living in Japan, I met a young American who had come to Tokyo looking for work and found it in a Baskin-Robbins ice-cream shop. After he had been there several weeks, he seemed completely fatalistic. No other society could compete with Japan! Why? On their own time, after the shop was closed, he'd seen his young Japanese counterparts hold "precision contests." They would take turns digging out scoops of ice cream, with a prize to the one whose scoop weighted exactly 150 grams.

But while Fallows' reporting on culture and history is outstanding, his analysis of the government policies that have contributed to East Asia's economic success is less convincing.

THERE ARE A NUMBER of difficulties. First, it is doubtful that the governments of Japan and other countries in East Asia are quite so involved in industrial policy as Fallows believes. (The problem may be Fallows' definition of "industrial policy"; it is so broad that he is led to claim the U.S. government is engaged in an active, though unacknowledged, industrial policy.) Fallows also tends to exaggerate the role of East Asian governments. He observes, for example, that:

> one of the great mysteries of Japanology is what would have happened if the Japanese system had been defined as a version of communism, rather than a version of capitalism. It shares features with each system, and several scholars have written puckish books calling it the only Communist society that works.

Of course, most East Asian governments *have* intervened in significant ways. But the extent to which these countries' economic success can be explained by government subsidies and protectionism is far from clear. Many economists are unconvinced that the pursuit of such policies has been, on balance, more a help than a hindrance. After all, virtually all of the world's countries that have done poorly have also intervened heavily in their economies. If one were to examine the world experience over the past two decades, one would find a strongly negative correlation between government intervention in the economy and economic success.

Even within Japan, there are numerous cases in which government intervention in the economy has served no strategic purpose, and in fact proved harmful. Take the case of rice. As Fallows writes:

> Japan and Korea are famous for protecting their rice markets. Even

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> though the small plots, high land prices, and aged rural workforce all make the price five or six times the world level, until December 1993, when each country agreed to accept limited amounts of imported rice (as part of a worldwide GATT agreement), neither country gave its customers the option of buying from overseas.

How does such a policy persist?

> In both Korea and Japan, it illustrates the iron alliance between farmers and politicians. The traditional ruling party in each country has guaranteed high rice prices by closing the markets. The farmers in each country, with gerrymandered electoral systems, have provided the foundation of the ruling party's support. They also recirculate part of their profits with enormous political contributions. The consumers suffer—not just in the obvious way, by spending one third of their incomes on food, but more profoundly by being squeezed out of usable land. Especially in Japan but also in Korea and Taiwan, farm protectionism is the linchpin of a sweeping anti-consumer social bargain.

Unfortunately, the case of rice is not uncommon. Consumers in Japan pay more than American consumers for virtually everything. One result, as Fallows and his family learned, is that living standards in Japan are not nearly what one might expect.

> We had heard for years that Japan was rich. Yet normal life, as we lived and observed it in a Tokyo suburb, would be considered needlessly grinding and difficult by most American and European standards. Homes were usually unheated. Modern plumbing was rare. In the country that produced more automobiles than any other nation, most of our neighbors had no cars. The windows of Japanese *danchi*, or huge apartment blocks, fluttered with laundry each morning because the average Japanese family did not own a drying machine.

IN FALLOWS' VIEW, such deprivation is not necessarily a sign of economic failure. For judgments of success and failure depend on the criteria employed. And according to the German (and now, Asian) tradition, consumer welfare must take a back seat to the promotion of national economic strength.

Government promotion of the country's economic strength and independence is believed crucial for several reasons. One is the threat of foreign control. Fallows quotes Richard Samuels of MIT, on Japan:

> The country's prevailing view, he says, "posits Japan in a hostile, Hobbesian world in which interdependence inevitably leads to dependence, and in which dependence must eventually result in domination."

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The existence of such a fear certainly does help to explain Japanese economic behavior. But does such fear make sense today for Japan, or for the U.S.? Fallows attempts to demonstrate that concern for economic self-sufficiency is well-founded. He observes, for example, that:

> The most celebrated American weapons used during Operation Desert Storm, including the Patriot missiles that intercepted some of the Iraqi SCUDs, all relied for their operation on a kind of ceramic chip packaging that no American company could make.

Possibly this is disturbing. But here, as elsewhere, Fallows' use of the phrase "could make" is ambiguous. In fact, American companies "could make" such chips if they wanted to (even the newspaper story Fallows relies on says so), but they choose not to, because they have found it more cost-effective to buy from Japanese companies.

Like a number of other passages in Fallows' book, the one cited above obscures the distinction between "being capable of making something," which American companies almost always are, and "being capable of making something at lower cost than any other producer in the world, right now," which American companies often aren't. It seems a bit excessive to worry that the U.S. is not able to do the latter with every good of economic or military significance.

In any event, it is doubtful whether a country's economic strength is best promoted by handing over important decisionmaking to civil servants. Fallows observes that in East Asia, "the great prestige of the civil service continues to attract the best-educated people in the country. The closest American counterpart is the U.S. Supreme Court and its cadre of clerks...."

But, many Americans would reply, it is just the sort of political arrogance often displayed by the Supreme Court that needs to be controlled, not expanded. (A growing number of Japanese are saying the same thing about their government.)

THERE IS ONE final point about Fallows' analysis that deserves mention. That is Fallows' occasional confusion of economic principles. While the errors themselves are not fatal to his argument, they are significant. To take one example, Fallows writes that because everything in Japan costs so much (in part, because of protectionism), people are "encouraged to save."

That is mistaken. With prices in Japan consistently high, there is no reason for Japanese consumers to spend less than usual today in order that they might spend more tomorrow. Goods are

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going to cost just as much tomorrow, so why save more today than one normally would?

This is the sort of error a trained economist would never make, but that advocates of protectionism and industrial policy make all the time. It doesn't prove they are wrong, but it makes one wonder.

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Social science and the moral muddle

JOSEPH ADELSON

ONE OF THE MANY reasons for admiring James Q. Wilson is that he has achieved his eminence without yielding to fashionable academic opinion. We saw this clearly in his writing on crime, above all in *Crime and Human Nature*, written with Richard Herrnstein. It did not shy away from examining individual-constitutional dispositions to criminality, e.g., differences in physique, intelligence and temperament—nor did it avoid the issue of race. These questions were treated with such directness and probity as to mute excessive displays of scholarly displeasure, though there was much huffing and puffing privately. They had gone too far; they had taken biology too seriously; the next step is racism; and so on.

Now Professor Wilson is at it again, trafficking in unpopular ideas. He states his aim at the very beginning of *The Moral Sense,*[†] arguing that "people have a *natural moral sense,* a sense that is formed out of the interaction of their *innate dispositions* with their earliest family experiences." I have added the emphases to highlight Wilson's departure from current doctrine. Much of the opening chapter develops that distinction—between the belief in moral relativism which holds sway among most intellectuals, and the belief in an inherent moral sensibility commonplace in earlier centuries in all strata of society and commonplace today except among the intelligentsia.

The flight to moral relativism is one part of a widespread reaction against absolutes and universals now found in almost all academic disciplines. We see it most clearly in the social sciences and humanities, in such fields as cultural anthropology, history,

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and literary theory. What began as an effort to escape provincialism, xenophobia, and rigid moralism ultimately evolved (or degenerated) into an adamant rejection of any belief in, for example, historical truth. Even the natural sciences were subjected to deconstruction, as in the strange idea that they were "linear" and hence "masculine," or "masculine" hence "linear" and would in the fullness of time be succeeded by androgynous science.

Still, the most telling effect of the relativist revolution has been in the area of moral sensibility. Wilson points out what any teacher of undergraduates will discover, should he or she pose the right questions—how hard it is for them to be judgmental even about the most horrific events, e.g., the Holocaust. It depends on one's perspective, you may be told, or we must try to understand how they saw it, or the pressures they were under. Until the past year I believed that this attitude—perspectivism let us say—was to be found only in the universities, especially among the liberal arts faculties and the students under their influence. But the dumbfounding verdicts in several recent cases —the Reginald Denny assault, and the Menendez and Bobbitt trials—tell us that moral relativism can now be found among the general public. In each instance jurors were persuaded to ignore exceptional brutality and adopt the presumed viewpoint of the accused, agreeing that any of us in that situation would have done the same. Some of the jurors' after-trial testimony was in no way apologetic; to the contrary it was self-righteous and moralizing, holding that their fellow jurors' wish to mete out justice was a cruel rebuff to the sufferings of the accused.

IN THAT SENSE there is something prescient in Wilson's book. Although it appeared before these verdicts, and the ecumenical uproar they produced—aghast reactions from journals ranging from *Reason* to the *New York Review of Books*—Wilson clearly sensed something awry in our collective moral outlook. The book has attracted attention outside the academy in part because of the hope that it might provide some explanation of—and answer to—the deconstruction of morality. It does so, and quite effectively. Yet to stress that gives a misleading impression of the book. It argues, but is not devoted to argument. It does not pursue a thesis. Wilson's aim is to explore the "evolutionary, developmental, and cultural origins of our moral habits and our moral sense." In short, what makes up the moral sense, and what are its sources?

We expect this to be a social scientist's account, and there is plenty of that to be found; but it is at least equally informed by

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moral philosophy. The most frequently cited writer is Aristotle, followed by the Adam Smith of *Moral Sentiments*. Yet the most important presence is Wilson himself, much of the book stemming from his everyday observation of the moral disposition in action. The first half of the book is given over to a description and analysis of four of the sentiments that are part of the moral sense—sympathy, fairness, self-control, and duty. Here we see one of Wilson's great strengths at work, in the remarkable range and variety of information he can bring to bear.

Here is an example, through a summary of the chapter on sympathy. It begins with some general remarks based on common experience, then turns to Adam Smith's observations on sympathy, then introduces experimental studies of how we relate to strangers in need, then to the more clinical study by the Oliners of those who risked their lives to help European Jews during the Second World War. These altruism researches lead to a discussion of current evolutionary theory, and the possible genetic basis of sympathy and recent work on the sociobiology of ants. All this in seventeen pages, slightly more than half the chapter, which then goes on to consider, *inter alia*, such topics as kinship, rural sociology, experimental studies of helping behavior, and the famous Milgram research on obedience to authority. And all written with such quiet self-assurance that the reader is never overwhelmed.

THE SECOND HALF of the book examines the sources of the moral sense, above all the child's social instincts as well as the part played by family and gender. Wilson argues that "humans are disposed to be social before they learn what sociability is all about." Underlying moral conduct he tells us, is "the desire for attachment or affiliation." The "rudiments" of moral action are present well before we have a capacity for moral reasoning, indeed before the child has much language. Yet one ought not imagine that the emphasis on the social means a neglect of the biological. Wilson remains far more committed to the constitutional and genetic sources of personality than are most social scientists. He reviews the evidence that altruism may have a genetic origin in part, that some components of temperament may be related to race and ethnicity, e.g., that Chinese infants are more tranquil than Caucasians, that eye color may be a marker for behavioral inhibition, and so on. Needless to say he does not suggest that any of these traits or tendencies is the key to moral behavior, in whole or in part; but he insists that we take seriously any good evidence that they play a significant role.

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On gender, he holds that some sex differences are inherent, the outcome of natural selection, e.g., the male's inclination to aggression, his need to dominate, his wish to live by rules rather than relationships, his tendency to travel in packs (bringing with it the risk of group violence), and many more. It is essentially impossible to contrive a perfectly controlled experiment to prove or disprove the innateness of these traits, but we have come close enough in the natural experiments carried out in the Israeli kibbutz where, despite energetic efforts, traditional sex differences resisted suppression. Girls were cleaner, boys more aggressive and egotistical; boys liked physics, girls psychology; boys were instrumental, girls expressive. These are solid findings reported by distinguished investigators—the Spiros, Tiger and Sapher—and Wilson adds to their testimony information from historical sources, providing a complex, intricate picture of how the universals of gender interact with economics, cultural traditions, and social structure to produce different patterns of moral behavior. A striking example: the California gold rush attracted single males unfettered by family or law, resulting in disease, insanity, and violent death. The Appalachian gold rush, which took place at the same time, attracted Cornish miners, who brought their families, and became part of an organized mining system. When all is said and done, Wilson tells us, we look to the family, to the affection between parent and child, to understand our moral disposition.

> Our moral senses are forged in the crucible of this loving relationship.... Out of the universal attachment between child and parent the former begins to develop a sense of empathy and fairness, to learn self-control and acquire a conscience....

One potentially troubling consequence of these origins is that the moral sense tends to remain particularistic. Many cultures "rarely extend the moral sense, except in the most abstract or conditional way, to other peoples."

AT THE END of the book Wilson the student of morality and Wilson the political scientist come together to consider the interactions between the moral sentiments and democratic politics. Those politics magnify sympathy but at the expense of other moral virtues, which are then minimized or redefined. By redefining fairness, for example, we tolerate affirmative action policies that most of us consider grossly unfair. What worries Wilson most is our intoxication with the priority of "rights," defined legally à la Ronald Dworkin, leading us to see human relations,

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especially marriage, as matters of contract. It is one of many tendencies leading us to neglect the importance of what takes place in families. Wilson is skeptical whether much is gained by teaching morality in the schools, through maxims and the like. "A moral life is perfected by practice more than precept; children are not taught so much as habituated." Similarly, he is skeptical whether television viewing is an important source of violent behavior; the problem, rather, is that it deprives the viewer of social relationships in which the moral habits are practiced.

How refreshing to have those platitudes called into question! And how pleasant to imagine that this book is a leading indicator, the harbinger of a transformation in the social sciences. We have already seen some beginnings in the humanities, e.g., David Lehman and Roger Kimball on literary deconstruction, Gertrude Himmelfarb on postmodernist history. Wilson's informal survey of the social sciences puts the score at Relativists 10, Universalists 1. That may be changing—there is a strong universalist movement in anthropology, for example. But there is a long way to go.

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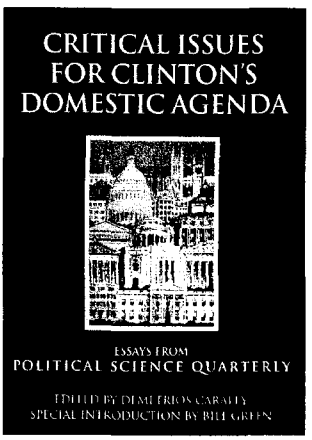

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